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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter : PHILIPPINE NATIONAL BANK

3. Province, country or other jurisdiction of incorporation or organization : Metro Manila, Philippines

4. SEC Identification Number : AS096-005555

5. BIR Tax Identification Number : 000-188-209-000

6. Address of principal office : PNB Financial Center
   President Diosdado Macapagal Blvd.
   Pasay City, Metro Manila, 1300

7. Registrant's telephone number, including area code : (632) 834-0780
   (Office of the Corporate Secretary)

8. Date of meeting : April 25, 2017
   Time of meeting : 8:00 a.m.
   Place of meeting : Grand Ballroom, Upper Lobby
   Century Park Hotel
   599 Pablo Ocampo, Sr. St.
   Malate, City of Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders : March 28, 2017

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	1,249,139,678

11. Are any or all Registrant's securities listed in a Stock Exchange?

    Yes [√] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein : **PHILIPPINE STOCK EXCHANGE/ COMMON STOCK**

SECURITIES AND EXCHANGE COMMISSION
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BY: TIME: 12:55 p

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NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of Stockholders of the Philippine National Bank (the "Bank") will be held on April 25, 2017, Tuesday, at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, City of Manila.

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2016 Annual Stockholders' Meeting held on May 31, 2016
4. Report of the President on the Results of Operations for the Year 2016
5. Approval of the 2016 Annual Report
6. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2016 Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The details and rationale of each item in the Agenda are explained briefly in the attached "Annex A".

Minutes of the 2016 Annual Stockholders' Meeting, as well as the resolutions of the Board of Directors from the last stockholders' meeting held on May 31, 2016 up to the present, are available for examination during office hours at the Office of the Corporate Secretary located at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila.

Only stockholders of record as of March 27, 2017 will be entitled to notice of, and to vote at, the meeting. Registration will begin at 6:00 a.m. on April 25, 2017.

If you cannot personally attend the meeting, you may designate your authorized representative by submitting a PROXY of your choice not later than 5:00 p.m. on April 20, 2017 to the Office of the Corporate Secretary at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila. All proxies received will be validated by the Bank's Corporate Secretary on April 20, 2017 at 5:30 p.m. at the office of the Stock Transfer Agent, PNB Trust Banking Group, 3rd Floor, PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila. A sample proxy is attached for your reference.

Pasay City, March 14, 2017.

MAILA KATRINA Y. ILARDE
Corporate Secretary

SEC FORM 20-IS

DEFINITIVE INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

(a) The Annual Stockholdersô Meeting of the Philippine National Bank (hereafter ñPNBò or the ñBankò) will be held on April 25, 2017, Tuesday, at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, Manila, Philippines. The Bankõs complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

(b) The Definitive Information Statement, together with the Notice of Meeting, will be sent to qualified stockholders not later than March 28, 2017.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY AT THIS TIME.

Item 2. DISSENTER'S RIGHT OF APPRAISAL

(a) Title X ï Section 81 of the Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or class of shares, or authorize preferences in any respect superior to those of outstanding shares of any class or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the companyõs properties; or (3) in cases of merger or consolidation**.**

Under Section 42 of the Corporation Code, a stockholder is likewise given an appraisal right in cases where a corporation decides to invest its funds in another corporation or business.

(b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholderõs appraisal right.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

(a) No person who has been a director of the Bank from the beginning of fiscal year 2016, or any associate of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.

(b) The Bank has not received any information from a director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

(a) The total number of common shares outstanding as of January 31, 2017 is 1,249,139,678 with a par value of ₽40.00 per share. Total foreign equity ownership is 111,348,390 common shares or 8.91%.

Pursuant to Article IV, Section 4.9 of the Bankõs By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank as of March 27, 2017 (the ñRecord Dateò).

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(b) Stockholders of record of the Bank as of the Record Date shall be entitled to notice of, and to vote at, the Annual Stockholdersô Meeting.

(c) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (*more than 5% of any class of voting securities as of January 31, 2017)*

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	*Citizenship*	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corp. - Makati City - 8,191,895 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino	747,326,928	59.8273308551
Allmark Holdings Corporation - Quezon City ï 16,967,394 shares Stockholder		Filipino		
Caravan Holdings Corporation - Marikina City - 67,148,224 shares Stockholder		Filipino		
Donfar Management Limited - Makati City - 25,173,588 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Dunmore Development Corporation (X-496) - Pasig City - 12,395,850 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Dynaworld Holdings, Incorporated - Pasig City - 9,323,108 shares Stockholder		Filipino		
Fast Return Enterprises, Limited - Makati City - 14,865,453 shares Stockholder		Filipino		
Fil-Care Holdings, Incorporated - Quezon City - 20,836,937 shares Stockholder		Filipino		
Fragile Touch Investment Limited - Makati City - 18,581,537 shares Stockholder		Filipino		
Ivory Holdings, Inc. - Makati City - 16,997,821 shares Stockholder		Filipino		
Kenrock Holdings Corporation - Quezon City - 21,301,405 shares Stockholder		Filipino		
Kentwood Development Corp. - Quezon City - 14,112,105 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Common Shares Held**	**Percentage of Ownership**
Key Landmark Investments, Limited - British Virgin Islands - 109,115,864 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
La Vida Development Corporation - Quezon City - 16,052,705 shares Stockholder		Filipino		
Leadway Holdings, Incorporated - Quezon City - 53,470,262 shares Stockholder		Filipino		
Mavelstone International Limited - Makati City - 24,213,463 shares Stockholder		Filipino		
Merit Holdings and Equities Corp. - Quezon City - 14,233,686 shares Stockholder		Filipino		
Multiple Star Holdings Corp. - Quezon City - 25,214,730 shares Stockholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 28,044,239 shares Stockholder		Filipino		
Profound Holdings, Inc. - Marikina City - 14,935,099 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Purple Crystal Holdings, Inc. - Manila City - 19,980,373 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Safeway Holdings & Equities, Inc. - Quezon City - 9,864,499 shares Stockholder		Filipino		
Society Holdings Corporation - Quezon City - 14,162,708 shares Stockholder		Filipino		
Solar Holdings Corp. - Pasig City - 67,148,224 shares Stockholder		Filipino		
Total Holdings Corp. - Quezon City - 13,095,263 shares Stockholder		Filipino		
True Success Profits, Limited - British Virgin Islands - 67,148,224 shares Stockholder		Filipino		
Uttermost Success, Limited - Makati City ï 24,752,272 shares Stockholder		Filipino		
PCD Nominee Corporation - Makati City -	The Hongkong & Shanghai Banking Corp. Ltd.	Filipino	63,085,353	5.0503041502

The right to vote or direct the voting of the Bankôs shares held by the foregoing stockholders is lodged in their respective Boards of Directors. The Bank expects to receive the proxy to vote the shares held by the foregoing stockholders on or before April 20, 2017.

(2) Security Ownership of Management (Individual Directors and Executive Officers as of January 31, 2017)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairperson Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001601
Felix Enrico R. Alfiler Vice Chairman Independent Director	10,215 shares ₱408,600.00 (R)	Filipino	0.0008177628
Florido P. Casuela Director	133 shares ₱5,320.00 (R)	Filipino	0.0000106473
Leonilo G. Coronel Director	1 share ₱40.00 (R)	Filipino	0.0000000801
Edgar A. Cua Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000080055
Reynaldo A. Maclang Director	155 shares ₱6,200.00 (R)	Filipino	0.0000124085
Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000920634
Christopher J. Nelson Director	100 shares ₱4,000.00 (R)	British	0.0000080055
Federico C. Pascual Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000031221
Cecilio K. Pedro Independent Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0004002755
Washington Z. SyCip Director	39,111 shares ₱1,564,440.00 (R)	Filipino-American	0.0031310350
Carmen K. Tan Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0004002755
Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	1.1882673540

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Lucio K. Tan, Jr. Director	2,300 shares ₱92,000.00 (R)	Filipino	0.0001841267
Michael G. Tan Director	250 shares ₱10,000.00 (R)	Filipino	0.0000200138
Subtotal	14,906,675 shares ₱596,267,000.00 (R)		1.1933553359
All Executive Officers & Directors as a Group	14,926,564 shares ₱597,062,560.00 (R)		1.1949475517

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of the Bankôs shares.

(4) Changes in Control

There has been no change in control of the Bank in the fiscal year 2016.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On May 31, 2016, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2016 Annual Stockholdersô Meeting. Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler, Mr. Federico C. Pascual and Mr. Cecilio K. Pedro were re-elected as independent directors.

As defined in Section 38.2 of the 2015 Implementing Rules and Regulations of the Securities and Regulation Code (Republic Act No. 8799) (IRR of the SRC), an independent director means a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

The re-election of the following directors of PNB for the year 2016-2017 was exempted from confirmation by the Monetary Board (MB) of the BSP as provided in Subsection X141.4 of the Manual of Regulations for Banks (MORB) and pursuant to BSP Circular No. 758 dated May 11, 2012:

Florencia G. Tarriela	Federico C. Pascual
Felix Enrico R. Alfiler	Cecilio K. Pedro
Florido P. Casuela	Washington Z. Sycip
Leonilo G. Coronel	Lucio C. Tan

Reynaldo A. Maclang
Estelito P. Mendoza
Christopher J. Nelson
Lucio K. Tan, Jr.
Michael G. Tan

The election of Mr. Edgar A. Cua and Ms. Carmen K. Tan as Independent Director and Director, respectively, was confirmed by the MB on November 11, 2016.

The Bankôs Corporate Governance Committee (acting as the Bankôs Nomination Committee) considered the shortlist of the candidates nominated to sit as members of the Board of Directors according to the prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. On February 24, 2017, the Board of Directors confirmed the nomination of the following individuals for election to the Board of Directors for the year 2017 ï 2018, as approved and confirmed by the Corporate Governance Committee, in compliance with Subsection X141.2 of the MORB of the BSP on the qualifications of a director and in accordance with the procedures for the nomination and election of independent directors set forth in Rule 38 of the IRR of the SRC and SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies (ñSEC MC No. 19, Series of 2016ò):

1. Florencia G. Tarriela
2. Felix Enrico R. Alfiler
3. Florido P. Casuela
4. Leonilo G. Coronel
5. Edgar A. Cua
6. Reynaldo A. Maclang
7. Estelito P. Mendoza
8. Christopher J. Nelson
9. Federico C. Pascual
10. Cecilio K. Pedro
11. Washington Z. Sycip
12. Carmen K. Tan
13. Lucio C. Tan
14. Lucio K. Tan, Jr.
15. Michael G. Tan

(Please refer to pages 11 to 27 of this Information Statement for the profiles of the nominees and incumbent directors.)

Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual, Mr. Cecilio K. Pedro, and Ms. Florencia G. Tarriela were nominated as independent directors. After due evaluation by the Corporate Governance Committee, it certified that said nominees are duly qualified in accordance with Subsection X141.2 of the MORB and Rule 38 of the IRR of the SRC. All of the nominees for independent director were nominated by Mr. Reynaldo A. Maclang to comply with the requirement on independent directors. Said nominees are not related to Mr. Maclang.

All nominations are compliant with SEC MC No. 19, Series of 2016 on the term limits of independent directors. The Certificate of Qualification of the independent directors pursuant to the SEC Notice to All Independent Directors on the Certificate of Qualification dated October 20, 2006 will be submitted by the Bank to the SEC within thirty (30) days after the election of the independent directors.

Profile of Directors and Executive Officers together with their Business Experience covering at least the Past Five (5) Years

Name	**FLORENCIA G. TARRIELA**
Age	70
Nationality	Filipino
Education	* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	* Chairman of the Board/Independent Director
Date of First Appointment	* May 29, 2001 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director)
Directorship in Other Listed Companies	* Independent Director of LT Group, Inc.
Other Current Positions	* Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, and PNB-IBJL Equipment Rentals Corporation * Independent Director of PNB International Investments Corp. * Columnist for ñBusiness Optionsò of the Manila Bulletin and ñFINEX Folioò of Business World * Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation * Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director * Trustee of TSPI Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc. * Co-author of several inspirational books - ñCoincidence or Miracle? Books I, II, III (ñBlessings in Disguiseò), IV (ñAgainst All Oddsò), and V (ñBeyond All Barriersò), and gardening books - ñOops-Donôt Throw Those Weeds Away!ò and ñThe Secret is in the Soilò * Environmentalist and practices natural ways of gardening
Other Previous Positions	* Independent Director of PNB Life Insurance, Inc. * Undersecretary of Finance * Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A. * President, Bank Administration Institute of the Philippines
Awards/Citations	* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement

Name	**FELIX ENRICO R. ALFILER**
Age	67
Nationality	Filipino
Education	* Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	* Vice Chairman/Independent Director
Date of First Appointment	* January 1, 2012
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. and PNB RCI Holdings Co., Ltd. * Independent Director of PNB Savings Bank and PNB International Investments Corp.
Other Previous Positions	* Independent Director of PNB-IBJL Leasing and Finance Corporation * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the BSP * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund * Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippinesô medium- and long-term foreign debts * Advisor at Lazaro Bernardo Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) * Board Member of the Federation of Philippine Industries (FPI) * Vice President of the Philippine Product Safety and Quality Foundation, Inc. * Convenor for Fair Trade Alliance.

Name	**FLORIDO P. CASUELA**
Age	75
Nationality	Filipino
Education	* Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania
Government Civil Service Eligibilities	* Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	* Director
Date of First Appointment	* May 30, 2006
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman of PNB Securities, Inc. * Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation * Senior Adviser of the Bank of Makati, Inc.
Other Previous Positions	* Director of PNB Life Insurance, Inc. * President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation * Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc. * Director, Meralco * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Director of Sagittarius Mines, Inc. * Senior Adviser in the BSP * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (Producers Bank) * Senior Vice President of Philippine National Bank * Special Assistant to the Chairman of the National Power Corporation * First Vice President of Bank of Commerce * Vice President of Metropolitan Bank & Trust Co. * Staff Officer, BSP * Audit Staff of Joaquin Cunanan, CPAs
Awards/Citations	* One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club ï Surigao Chapter

Name	**LEONILO G. CORONEL**
Age	70
Nationality	Filipino
Education	* Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University * Advance Management Program of the University of Hawaii
Current Position in the Bank	* Director
Date of First Appointment	* May 28, 2013
Directorship in Other Listed Companies	* Independent Director of Megawide Construction Corporation
Other Current Positions	* Independent Director of DBP-Daiwa Capital Markets Phil. * Director of Software Ventures International
Other Previous Positions	* Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation * Director/Treasurer of Philippine Depository and Trust Corporation * Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council * Managing Director of BAP-Credit Bureau * President of Cebu Bankers Association * Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation * Worked with Citibank, Manila for twenty (20) years, occupying various positions.
Awards/Citations	* Fellow of the Australian Institute of Company Directors in 2002

Name	**EDGAR A. CUA**
Age	61
Nationality	Filipino
Education	* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Masters of Arts in Economics degree from the University of Southern California * Masters of Planning Urban and Regional Environment degree from the University of Southern California * Advanced Chinese from the Beijing Language and Culture University * Sustainable Development Training Program, Cambridge University
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB Capital and Investment Corporation * Director of Davao Unicar Corporation
Previous Positions	* Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC. * Staff Consultant, SGV & Co.

Name	**REYNALDO A. MACLANG**
Age	78
Nationality	Filipino
Education	* Bachelor of Laws from the Ateneo de Manila University
Current Position in the Bank	* President of the Bank
Date of First Appointment	* February 9, 2013 (as Director) * May 27, 2014 (as President)
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman of PNB (Europe) Plc. * Director of Allied Leasing & Finance Corporation, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management & Development Corporation and PNB Forex, Inc. * Director of the Bankers Association of the Philippines, Asian Bankers Association, LGU Guarantee Corporation and Bancnet, Inc., where he is also a Treasurer
Other Previous Positions	* Director of PNB Savings Bank * President of Allied Savings Bank from 1986 to 2001 * President of Allied Banking Corporation (ABC) from 2001 to 2009 * Director of ABC, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., and Eton Properties Philippines, Inc.

Name	**ESTELITO P. MENDOZA**
Age	87
Nationality	Filipino
Education	* Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from Harvard University
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2009
Directorship in Other Listed Companies	* Director of San Miguel Corporation and Petron Corporation
Other Current Positions	* Chairman of Prestige Travel, Inc. * Director of Philippine Airlines, Inc. * Practicing lawyer for more than sixty (60) years
Other Previous Positions	* Professorial Lecturer of law at the University of the Philippines * Undersecretary of Justice, Solicitor General and Minister of Justice * Member of the Batasang Pambansa and Provincial Governor of Pampanga * Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.
Awards/Citations	* Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East * Doctor of Humane Letters degree by the Misamis University * Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns * University of the Philippines Alumni Associationôs 1975 ñProfessional Award in Lawò and 2013 ñLifetime Distinguished Achievement Awardò

Name	**CHRISTOPHER J. NELSON**
Age	57
Nationality	British
Education	∗ Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K. ∗ Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	∗ Director
Date of First Appointment	∗ March 21, 2013 (Director) ∗ May 27, 2014 (Board Advisor) ∗ May 26, 2015 (Director)
Directorship in Other Listed Companies	∗ None
Other Current Positions	∗ Chairman of Lux Et Sal Corporation ∗ Director of the Philippine Band of Mercy, the Federation of Philippine Industries, Bellagio 3 Condominium Association, Inc. and Greenlands Community ∗ Vice President/Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc. and British Chamber of Commerce of the Philippines, where he is also the Executive Chairman ∗ Member of the Society of Fellows of the Institute of Corporate Directors
Other Previous Positions	∗ Director of PNB Holdings Corporation ∗ Trustee of Tan Yan Kee Foundation ∗ Director of the American Chamber of Commerce of the Philippines, Inc. ∗ President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years ∗ Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	**FEDERICO C. PASCUAL**
Age	74
Nationality	Filipino
Education	* Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 27, 2014
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of Allianz PNB Life Insurance, Inc., PNB-IBJL Leasing and Finance Corporation, PNB International Investments Corporation and PNB Holdings Corporation * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc. * Chairman of San Antonio Resources Incorporated * Director of Global Energy Growth System and Apo Reef World Resort * Proprietor of Green Grower Farm * Partner of the University of Nueva Caceres Bataan Branch
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation * Various positions with PNB for twenty (20) years in various positions, including Acting President, CEO and Vice Chairman * President and Director of Philippine Chamber of Commerce and Industry * Chairman of National Reinsurance Corporation * Co-Chairman of the Industry Development Council of the Department of Trade and Industry * Treasurer of BAP-Credit Guarantee * Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation and Certified Data Centre Professional

Name	**CECILIO K. PEDRO**
Age	63
Nationality	Filipino
Education	* Bachelor of Science in Business Management from the Ateneo de Manila University * Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines
Current Position in the Bank	* Independent Director
Date of First Appointment	* February 28, 2014
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB Savings Bank * Chief Executive Officer (CEO)/President of Lamoiyan Corporation * Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc. * Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress * Chairman of the Deaf Evangelistic Alliance Foundation, Inc. * Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Chairman of Asian Theological Seminary
Other Previous Positions	* CEO/President of Aluminum Container, Inc. * Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.)
Awards/Citations	* Recipient of the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, and PLDT SME Nation and Go Negosyoҫs Grand MVP Bossing Award * Recognized by the House of Representatives for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012

Name	**WASHINGTON Z. SYCIP**
Age	95
Nationality	Filipino-American
Education	* Bachelor of Science in Commerce from the University of Sto. Tomas * Masters in Commerce from the University of Sto. Tomas and Columbia University
Current Position in the Bank	* Director
Date of First Appointment	* December 8, 1999
Directorship in Other Listed Companies	* Chairman of Cityland Development Corporation * Independent Director of Belle Corporation, First Philippine Holdings Corporation, Lopez Holdings Corporation, and Metro Pacific Investments Corporation * Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	* Founder of SGV Group * One of the founders and Chairman Emeritus of the Asian Institute of Management * Member of the Board of Overseers of the Graduate School of Business at Columbia University * Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France * Honorary Life Trustee of The Asia Society * Member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world
Other Previous Positions	* President of the International Federation of Accountants * Member of the International Advisory Board of the Council on Foreign Relations * Vice Chairman of the Board of Trustees of The Conference Board * Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange * Served in the international Boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others. * Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship
Awards/Citations	* Most Outstanding Professional in the field of Accountancy given by the Professional Regulation Commission on June 2015 * Arangkada Lifetime Achievement Award conferred by the Joint Foreign Chambers of the Philippines on March 3, 2015 * Lifetime Achievement Award given by Asia Society, New York on November 8, 2012 * Ramon V. del Rosario Award for Nation Building conferred by Junior Chamber of International Philippines Manila and the Asian Institute of Managementôs Ramon V. del Rosario, Sr. Center for Corporate Social Responsibility on May 2012

* Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011
* Lifetime Achievement Award given by Columbia Business School
* Ramon Magsaysay Award for International Understanding
* Management Man of the Year given by the Management Association of the Philippines
* Botwonick Prize for Ethical Practice in the Professions
* Doctor of Laws, Honorary Degree conferred by the University of Melbourne
* Officerøs Cross of the Order of Merit given by the Federal Republic of Germany
* Star of the Order of Merit Conferred by the Republic of Australia
* Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden

Name	**CARMEN K. TAN**
Age	75
Nationality	Filipino
Current Position in the Bank	* Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Director of MacroAsia Corporation, LT Group, Inc., and PAL Holdings, Inc.
Other Current Positions	* Director: Asia Brewery, Tanduay Distillers, Inc., The Charter House, Inc., Dominium Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Philippine Airlines, Inc., PAL Express, Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Trustmark Holdings Corp., Zuma Holdings and Management Corp., Tangent Holdings Corp., Cosmic Holdings Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., REM Development Corp., Fortune Tobacco International Corp. and Buona Sorte Holdings, Inc.
Major Affiliations	* Director of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	**LUCIO C. TAN**
Age	82
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering degree from Far Eastern University and later from the University of Sto. Tomas * Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas
Current Position in the Bank	* Director
Date of First Appointment	* December 8, 1999
Directorship in Other Listed Companies	* Chairman and CEO: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. and University of the East * Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation * Chairman: Air Philippines Corporation, Eton Properties Philippines, Inc., Eton City, Inc. Belton Communities, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Asian Alcohol Corporation, Absolut Distillers, Inc., The Charter House, Inc., PMFTC, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, PNB Savings Bank, Allianz PNB Life Insurance, Inc., Alliedbankers Insurance Corporation, Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Manufacturing Services & Trade Corp., Foremost Farms, Inc., Dominium Realty & Construction Corp., Shareholdings, Inc., REM Development Corporation, Sipalay Trading Corp., and Progressive Farms, Inc. * President: Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. * Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	* Chairman: Allied Banking Corporation
Awards/Citations	* Honorary degrees from various universities * Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence * Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam * Diploma of Merit by the Socialist Republic of Vietnam * Outstanding Manilan for the year 2000 * UST Medal of Excellence in 1999 * Most Distinguished Bicolano Business Icon in 2005 * 2003 Most Outstanding Member Award by the Philippine

Chamber of Commerce and Industry (PCCI)

* Award of Distinction by the Cebu Chamber of Commerce and Industry
* Award for Exemplary Civilian Service of the Philippine Medical Association
* Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga
* Distinguished Fellow during the 25th Conference of the ASEAN Federation of Engineering Association
* 2008 Achievement Award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences

Name	**LUCIO K. TAN, JR.**
Age	50
Nationality	Filipino
Education	* Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics), University of California Davis, U.S.A. * Executive Masters in Business Administration, Hong Kong University of Science and Technology (Business School) and J.L. Kellogg School of Management of Northwestern University, Hong Kong * Courses in Basic and Intermediate Japanese Language, Languages International, Makati and Asia Center for Foreign Languages, Ortigas
Current Position in the Bank	* Director
Date of First Appointment	* September 28, 2007
Directorship in Other Listed Companies	* Director of MacroAsia Corporation, LT Group, Inc., PAL Holdings, Inc. and Victorias Milling Company, Inc.
Other Current Positions	* President/Director of Tanduay Distillers, Inc. and Eton Properties Philippines, Inc. * Director of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, PNB Savings Bank, Allied Commercial Bank, Allied Leasing and Finance Corporation, PNB Global Remittance and Financial Company (HK) Ltd., and Allied Banking Corporation (HK) Limited * Director of PMFTC, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Allied Bankers Insurance Corporation, Foremost Farms, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corporation, Absolut Distillers, Inc., Asia Brewery, Inc., Eton City, Inc., Asian Alcohol Corporation, Lucky Travel Corporation, Progressive Farms, Inc., Tanduay Brands International, Inc., The Charter House, Incorporated, Himmel Industries, Incorporated * EVP and Director of Fortune Tobacco Corporation
Other Previous Positions	* President and Chief Executive Officer of MacroAsia Corporation * Director of Tanduay Distillers, Inc. * Executive Vice President of Fortune Tobacco Corporation

Name	**MICHAEL G. TAN**
Age	50
Nationality	Filipino
Education	∗ Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	∗ Director
Date of First Appointment	∗ February 9, 2013
Directorship in Other Listed Companies	∗ Director and President of LT Group, Inc. ∗ Director of PAL Holdings, Inc. and Victorias Milling Company, Inc.
Other Current Positions	∗ Chairman of PNB Management and Development Corporation ∗ Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited ∗ Chief Operating Officer of Asia Brewery, Inc. ∗ Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation
Other Previous Positions	∗ Chairman of PNB Holdings Corporation ∗ Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABCôs merger with PNB on February 9, 2013

Name	**MAILA KATRINA Y. ILARDE**
Age	33
Nationality	Filipino
Education	* Bachelor of Science in Legal Management, De La Salle University * Juris Doctor, Ateneo de Manila University School of Law
Current Position in the Bank	* Corporate Secretary
Date of First Appointment	* June 29, 2015
Directorship in Other Listed Companies	* None
Other Current Position	* Corporate Secretary of PNB Capital and Investment Corporation and PNB Securities, Inc.
Other Previous Positions	* Senior Associate, Roxas De Los Reyes Laurel Rosario & Leagogo * Assistant Corporate Secretary, Ionics, Inc. * Assistant Corporate Secretary, Ionics EMS, Inc.

Name	**RUTH PAMELA E. TANGHAL**
Age	48
Nationality	Filipino
Education	* Bachelor of Science in Mathematics, Notre Dame University * Bachelor of Laws (Notre Dame University)
Current Position in the Bank	* Assistant Corporate Secretary
Date of First Appointment	* June 29, 2015
Directorship in Other Listed Companies	* None
Other Current Positions	* Corporate Secretary of Bulawan Mining Corporation, PNB Management and Development Corporation (MADECOR), and PNB Holdings Corporation * Director of E.C. Tanghal & Co., Inc. and Palm Tree Bank, Inc.
Other Previous Positions	* Documentation Lawyer, PNB Legal Group * Director/Corporate Secretary, Rural Bank of Cotabato, Inc. * Director, Rural Bankers Association of the Philippines, Inc.

Board of Advisors:

Name	**JOSEPH T. CHUA**
Age	60
Nationality	Filipino
Education	* Bachelor of Arts in Economics and Bachelor of Science in Business Management from the De La Salle University * Masters in International Finance from the University of Southern California
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 26, 2015
Directorship in Other Listed Companies	* None
Current Positions	* Chairman of Watergy Business Solutions, Inc. * Chairman of Cavite Business Resources, Inc. * Chairman of J.F. Rubber Philippines * President of Goodwind Development Corporation * President of MacroAsia Mining Corporation * President of MacroAsia Corporation * Director of PNB General Insurers Co., Inc. * Director of Bulawan Mining Corporation * Director of PNB Management and Development Corp. * Director of Philippine Airlines * Director of Eton Properties Philippines, Inc. * Member of the Management Association of the Philippines, Philippine Chamber of Commerce and Industry, Chamber of Mines of the Philippines, German Philippine Chamber of Commerce and Rubber Association of the Philippines
Other Previous Positions	* Chairman of MacroAsia Mining Corporation * Director of Philippine National Bank * Director/Chief Operating Officer of MacroAsia Corporation * Managing Director of Goodwind Development Corporation

Name	**MANUEL T. GONZALES**
Age	79
Nationality	Filipino
Education	* Bachelor of Science in Commerce from the De La Salle University * Masters of Arts in Economics from Ateneo De Manila University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* October 1, 2013
Directorship in Other Listed Companies	* None
Current Positions	* Director of PNB Securities, Inc. * Director of PNB-IBJL Leasing and Finance Corporation * Director of PNB-IBJL Equipment Rentals Corporation * Director of Allied Leasing and Finance Corporation * Director of Alliedbankers Insurance Corporation
Other Previous Positions	* Director of Allied Banking Corporation * Member, Management Association of the Philippines (MAP) * Member, Financial Executives of the Philippines (FINEX) * Member, European Chamber of Commerce of the Philippines (ECCP) * Member, Bankers Institute of the Philippines

Name	**WILLIAM T. LIM**
Age	76
Nationality	Filipino
Education	* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 25, 2013
Directorship in Other Listed Companies	* None
Current Positions	* Director of PNB Holdings Corporation
Previous Positions	* Director of PNB Life Insurance, Inc. * Consultant of Allied Banking Corporation * Director of Corporate Apparel, Inc. * Director of Concept Clothing * Director of Freeman Management and Development Corporation * President of Jas Lordan, Inc. * Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

Name	**HARRY C. TAN**
Age	70
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering, Mapua Institute of Technology
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Director of LT Group, Inc.
Other Current Positions	* Chairman of Bulawan Mining Corporation, PNB Management Development Corporation, and PNB Global Remittance and Financial Company (HK) Limited * Director of PNB Savings Bank * Chairman for the Tobacco Board of Fortune Tobacco Corporation * President of Landcom Realty Corporation and Century Park Hotel * Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. * Managing Director/Vice Chairman of The Charter House Inc. * Director of various private firms which include Asia Brewery, Inc., Dominium Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., MacroAsia Corporation, Tanduay Brands International Inc., Allied Bankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, PMFTC, Inc., and Allied Commercial Bank
Other Previous Positions	* Director of Philippine National Bank * Director of Allied Banking Corporation * Director of Philippine Airlines * Director of MacroAsia Corporation

The following constitute the Bank's Corporate Governance Committee for the year 2016-2017:

Florencia G. Tarriela*	-	Chairman
Reynaldo A. Maclang	-	Member
Felix Enrico R. Alfiler*	-	Member
Federico C. Pascual*	-	Member
Cecilio K. Pedro*	-	Member

** Independent Director*

The following constitute the Bank's Board Audit and Compliance Committee for the year 2016-2017:

Edgar A. Cua*	-	Chairman
Felix Enrico R. Alfiler*	-	Member
Florencia G. Tarriela*	-	Member

** Independent Director*

The following are the Executive Officers of the Bank:

REYNALDO A. MACLANG
(Please refer to page 16 of this Information Statement)

CENON C. AUDENCIAL, JR., 58, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bankôs Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 20-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

HORACIO E. CEBRERO III, 54, Filipino, Executive Vice President, is the Head of the Treasury Group. He obtained his Bachelor of Science degree in Commerce, Major in Marketing, from the De La Salle University. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation. He also held the post of Senior Vice President and Deputy Treasurer of Rizal Commercial Banking Corporation, Vice President/Head of the Foreign Exchange Desk of Citibank Manila and Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He brings with him thirty four (34) years of experience in the banking industry starting from Loans and Credit, Branch Banking, Fixed Income Sales, Trust Banking, Foreign Exchange and Fixed Income Trading, Portfolio Management and other Treasury-related activities.

NELSON C. REYES, 53, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held since 2004. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned twenty eight (28) years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

BERNARDO H. TOCMO, 55, Filipino, Executive Vice-President, is the Head of Retail Banking Sector who manages the Branch Banking Group, Global Filipino Banking Group, Cards Banking Solutions Group and Pinnacle Priority Banking Division of the Bank. Mr. Tocmo obtained his Masters in Business Economics from the University of Asia and the Pacific and likewise finished the Strategic Business Economics Program of said university. He graduated with a Bachelor of Science in AgriBusiness, major in Management from the Visayas State University. He joined Philippine National Bank in October 2015. Mr. Tocmo is a seasoned banker with over three decades of work experience with the countryôs top and mid-tier commercial banks. He started his career with United Coconut Planters Bank in 1982. He further honed his skills at Union Bank of the Philippines where he assumed key managerial positions in 1990 to 1996. He left Union Bank as a Senior Manager and joined Security Bank Corporation in 1996 as Assistant Vice President until his promotion to First Vice President in 2005 as Area Business Manager. Subsequently, he joined Metropolitan Bank & Trust Company in September 2005 as Vice President and was appointed Head of National Branch Banking Sector with the rank of Executive Vice President. He was also a Director of Metrobank Card Corporation from 2012 to 2015. As Head of the Retail Banking Sector of PNB, Mr Tocmo implemented various change initiatives which led to improved performance in 2016. The Branch Banking Group registered a 14% incremental growth in deposits year-on-year, which surpassed prior yearǿs growth rate of 2.9%. Further, 92% of the 626 branches became profitable in 2016 as against 55% of the previous year. The Card Banking Solutions Group on the other hand, chalked up 16% increase in billings, a 20% increase in receivables and 20% increase in active cards. The Global Filipino Banking Group which is in charge of the remittance business of the Bank, meanwhile, stood its ground with 2016 year-end remittance volume of US$ 5Billion and 3.3Million remittance items. Its overseas branches and offices in Los Angeles, New York, Singapore, Japan, Guam and Middle East marketing and representative offices continued to register profitable operations while Bahrain, Canada, Europe, Hongkong and North America operations were marked by profit turnaround. The Pinnacle Priority Banking Division, which was folded into RBS in February 2016, generated P1.25 Billion in fresh funds through the provision of efficient wealth management services to high net worth clients.

YOLANDA M. ALBANO, 66, Filipino, First Senior Vice President, is the Head of the Bank's Commercial Banking Group. She was previously the First Senior Vice President and Head of ABC Institutional Banking Group, comprised of the Account Management Division and the Merchant Banking Division. She joined ABC in 1977, starting off as an Account Officer at the Business Development Division and moving on as the Head of the Credit and Research Department, concurrent Head of the Corporate Affairs Department, Head of the Account Management Division, and ultimately, Head of the Institutional Banking Group. At present, she is a member of the Financial Executives Institute of the Philippines (FINEX). She is a past President of the Bank Marketing Association of the Philippines (BMAP) and the Credit Management Association of the Philippines (CMAP). She is also a past President of the College of the Holy Spirit Alumnae Foundation. Ms. Albano completed her Bachelor of Arts degree in Economics in three (3) years with a Dean's Award for Academic Excellence from the University of the Philippines.

ALICE Z. CORDERO, 60, Filipino, First Senior Vice President, was appointed the Chief Compliance Officer (CCO) of the Bank on June 16, 2010 with oversight on the Bank, including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She obtained Bachelor of Science degree in Business Economics from the University of the Philippines. She has earned units in Masters in Business Administration at the Ateneo Graduate School of Business. Prior to joining the Bank, she was the CCO of ABC (2007-2010). She worked with Citibank N.A - Manila Branch (1988-2007) for nineteen (19) years and held various senior positions in the Consumer Banking Group, including Compliance and Control Director (1999-2005) and concurrent Regional Compliance and Control Director for Philippines and Guam (2004). Her thirty seven (37) years of banking experience include working for ABC (1979-1983; 2007-2010), First National Bank of Chicago - Manila Branch (1983-1986), Far East Bank and Trust Company (1986-1988) and Citibank N.A. - Manila Branch (1988-2007), where she held department head positions in Credit Policy, Credit & Research Management, Financial Control, Corporate Regulatory Reporting, Asset Strategy, Business Development, Risk Management and Compliance.

MIGUEL ANGEL G. GONZALEZ, 58, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of the Credit Management Group. He entered the Bank in March 2010 as Senior Vice President for Commercial Banking Group. He obtained his Bachelor of Science degree in Industrial Engineering from the University of the Philippines and Masters in Business Management degree from Asian Institute of Management. He started his banking career with Citibank N.A. in 1984. He later headed the Branch Banking Group of Land Bank of the Philippines in 1989 then joined Union Bank of the Philippines in 1994 where he was Senior Vice President and head of Credit and Market Risk Group. In 2007, he became the Country Manager for Genpact Services LLC.

JOHN HOWARD D. MEDINA, 47, Filipino, First Senior Vice President, is the Head of the Operations and Technology Support Sector which is composed of the Operations Group, Information Technology Group and Credit Management Group. The Sector is responsible for delivering end-to-end technology, credit and operating services across the Bank. Mr. Medina has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and Masters in Business Administration from the Shidler College of Business at the University of Hawaiʻi at Manoa. He was an East-West Center Degree Fellow and the recipient of a full scholarship while at the University of Hawaiʻi. He also attended the Handelshøjskolen I Århus (the Aarhus School of Business), Pacific Asian Management Institute and the European Summer School for Advanced Management for additional graduate studies. Prior to joining PNB in 2004, he was a pioneer in the process and technology banking practice in the nineties when he helped transform the Asian operations of one of the largest multinational banks. He subsequently established a private consulting practice in the United States, helping set up operations and technology initiatives of large financial institutions.

BENJAMIN S. OLIVA, 64, Filipino, First Senior Vice President, is the Head of the Global Filipino Banking Group (GFBG) which manages PNB's overseas network of branches and remittance subsidiaries in Asia, Europe, the Middle East, and North America, and a Director of PNB (Europe) Plc. Mr. Oliva obtained his Bachelor of Science degree in Commerce, Major in Accounting (Cum Laude), from the De La Salle University. He started his career with FNCB Finance, Inc. where he held various junior managerial positions from 1973-1978. He moved to Jardine Manila Finance in 1978 as Vice President of the Metro Manila Auto Finance. In 1980, Mr. Oliva started his career as a banker at the State Investment Bank where he was Head of Corporate Sales Lending Division. In 1981, he moved to PCI Bank when he handled Corporate Banking. He joined Citibank N.A. in 1988, where he exhibited his expertise in sales and headed different sales divisions (Loans, Cards and Citiphone Banking). He became a Director for various divisions such as Country Asset Sales, Credit Cards Business, Business Development and Personal Loans from November 1999 to January 2006. In January 2006, he was hired by Citibank Savings, Inc. as the Director for Personal Loans and moved back to Citibank N.A. as Business Development Director in February 2007. He was rehired by Citibank Savings, Inc. as its President in December 2007. From June 2009 to July 2011, he held concurrent positions as Commercial Banking Director of Citibank N.A. and Board member of Citibank Savings, Inc. In September 2011, he has been a designate Consultant for Consumer Banking of United Coconut Planters Bank. Mr. Oliva joined PNB on September 10, 2012.

AIDA M. PADILLA, 67, Filipino, is First Senior Vice President and the Head of the Remedial Management Division. She is the chief strategist for problem and distressed accounts. A seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from St. Theresa's College.

CARMELA LETICIA A. PAMA, 60, Filipino, First Senior Vice President, is the Bank's Chief Risk Officer (CRO). She reports to the Bank's Board-level Risk Oversight Committee to assist in the effective oversight of the various risks faced by the Bank. A Certified Public Accountant, she obtained her Bachelor of Science in Business Administration and Accountancy from the University of the Philippines and Master in Business Administration from the Stern School of Business, New York University. She started her banking career with Citibank N.A. (Phils.) where she held various positions in the areas of Treasury Trading and Marketing, and Operations and Quality Development. She moved back to Citibank N.A. (Phils.) in 1996 to head various support units, after a brief stint with Banco Santander, Phils. to open its Philippine operations. Prior to joining PNB, she was a Consulting Services Practice Manager at Oracle Corporation (Phils.) from 1999 to 2005 with project implementation experience at the Asian Development Bank. Her stint as CRO of the Bank, since October 2006, has developed her proficiency in all facets of banking operations and has rounded off her skills in enterprise risk management. Tasked to lead and/or co-lead various new enterprise support activities, she works to institutionalize the Bank's implementation of the following (among others) – merger with ABC, compliance to the Bank's submission of various institutional Basel II & III reports, as well as compliance to new regulatory circulars as mandated. With more than thirty (30) years of corporate experience, she provides a well-rounded expertise in the operations, technology and risk management areas of the Bank.

EMMANUEL GERMAN V. PLAN II, 64, Filipino, First Senior Vice President, is the Head of the Enterprise Sector and concurrently Head Special Assets Management Group. He holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of Santo Tomas and took up masteral studies at the Letran College. Prior to joining the Bank, he was Senior Vice President of the

Special Assets Group of ABC. He concurrently held the position of Senior Vice President of State Investment Trust and State Properties Corporation. He also acted as Managing Director of Bear Stearns State Asia and Northeast Land Development Corporation. He has exposure in investment banking, account management, and credit and collection. He has been involved in acquired assets management and in real estate development since 1997. Mr. Plan is also into social, religious and charitable undertakings through his active involvement in different educational and religious foundations like Sambayan Educational Foundation, Inc., LSQC Scholarship Foundation, UST-EHSGAA and Magis Deo, to name a few.

MANUEL C. BAHENA, JR., 55, Filipino, Senior Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc. He obtained his Bachelor of Science degree in Business Administration from Lyceum of the Philippines in 1981 and his Bachelor of Laws degree from Arellano University in 1987.

SCHUBERT CAESAR C. AUSTERO, 53, Filipino, Senior Vice President, is the Head of the Human Resource Group effective February 16, 2017. He has been connected with PNB since 1996 as Head of Human Capital Development Division and as Deputy HR Head. A Bachelor of Arts graduate from the Leyte Normal University, he has been an HR professional for more than 30 years. Prior to joining PNB, he was connected with the First Abacus Financial Holdings Corporation as Vice President and Group Head for Human Resources, with the Philippine Bank of Communications as Assistant Vice President and Training Director, and with Solidbank Corporation as Recruitment and Training Manager, and later as Senior Manager and Head of Corporate Communications and Public Affairs. He was National President of the People Management Association of the Philippines in 2011 and continues to be active in the association as Though Leader, and as Director for Strategic Planning. He was appointed by President Benigno Aquino as Employer Representative to the National Tripartite Industrial Peace Council in 2012. He currently sits as Director of the Organization Development Practitioners Network.

EMELINE C. CENTENO, 58, Filipino, Senior Vice President, is the Head of the Corporate Planning and Research Division. She obtained her Bachelor of Science degree in Statistics (Deanôs Lister) and completed the coursework in Masters of Arts in Economics (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Research Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

DIOSCORO TEODORICO L. LIM, 62, Filipino, Senior Vice President, is the Chief Audit Executive (CAE) of the Bank. A Certified Public Accountant, he holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of San Carlos-Cebu. He started his career in 1976 with SGV as a Staff Auditor and, after a year, was Field in Charge until 1978. He joined ABC in 1979 as a Junior Auditor. He rose from the ranks to become an Audit Officer in 1986, and was designated as Head of the Internal Audit Division in 2000, until his appointment as CAE of PNB on February 9, 2013. He also served as Compliance Officer of Allied Savings Bank (seconded officer) from August 2001 to August 2006. He served as a member of the Board of Directors of Rosehills Memorial Management (Philippines), Inc. in 2011 and 2013. He is a member of the Institute of Internal Auditors Philippines, Association of Certified Fraud Examiners-Philippines and Philippine Institute of Certified Public Accountants.

MARIA PAZ D. LIM, 56, Filipino, Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the

Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

NORMAN MARTIN C. REYES, 51, Filipino, Senior Vice President, is the Bankǿs Chief Marketing Officer and Head of the Marketing Group. He obtained his Bachelor of Arts degree, Major in Economics at the University of the Philippines and Masters in Business Management at the Asian Institute of Management. He has over twenty (20) years of management experience in the field of product development, sales and marketing and process management, and has directly managed an extensive list of corporate and consumer services. He started his banking career in 1993, holding various positions at Citibank, Union Bank and Royal Bank of Scotland. Prior to joining PNB, he was Senior Vice President at United Coconut Planters Bank.

ROBERTO S. VERGARA, 65, Filipino, First Vice President, is the Chief Trust Officer and Head of the Trust Banking Group. He obtained his Bachelor of Arts degree, Major in Economics from Ateneo de Manila University. He began his career in 1973 and held various positions in Trust Banking, Treasury, Investment Banking and Global Banking/Overseas Remittances in various banks, including Solidbank and HSBC, among others. Prior to joining PNB, he was the Chief Trust Officer, then Treasury Group Head and lastly Global Banking/Overseas Remittance Group Head of the Land Bank of the Philippines. He is also a holder of Government Civil Service Career Executive Service Officer and Career Service Executive eligibility, and is a qualified Independent Director/Fellow under the Institute of Corporate Directors (ICD).

CONSTANTINO T. YAP, 53, Filipino, Vice President, is the Head of the Information Technology Group. He was hired by ABC on October 1, 2007 as Assistant Vice President for the Special Projects Section of the IT Division. Prior to joining ABC, he was the Dean of the College of Engineering and College of Computer Studies and Systems at the University of the East (Manila campus) from May 2005 to May 2007, and was the Assistant Dean of the College of Computer Studies at Lyceum of the Philippines from May 2004 to May 2005. He worked as an IT Consultant for various call centers and business-to-business firms from August 2002 to May 2004. He was the Technical Consultant for the horse racing totalizator project of Manila Jockey Club and a Vice President for Betting Operations of the Philippine Racing Club from 1996 to 2000. From 1994 to 1996, he helped manage his family's construction business. While living in the US from 1988 to 1994, he was a computer telephony programmer and systems analyst that provided promotions and marketing services running on interactive voice response systems (IVRS) for Phoneworks, Inc., American Network Exchange Inc., and Interactive Telephone Inc. He obtained his Bachelor of Engineering degree in Electrical from Pratt Institute in Brooklyn, New York, USA, in 1984 and earned his Master of Science in Electrical Engineering at Purdue University in West Lafayette, Indiana, USA, in 1986.

(b) Identify Significant Employees

While all employees of the Bank are valued for their contribution to the business, no person who is not an executive officer is expected to make a significant contribution to the business.

(c) Family Relationships

Directors Lucio C. Tan and Carmen K. Tan are spouses. Directors Lucio K. Tan, Jr. and Michael G. Tan are sons of Director Lucio C. Tan. Board Advisor Harry C. Tan is the brother of Director Lucio C. Tan, while Board Advisor Joseph T. Chua is the son-in-law of Director Lucio C. Tan.

(d) Involvement in Certain Legal Proceedings

None of the Directors nor any of the executive officers have, for a period covering the past five (5) years, reported:

i. any petition for bankruptcy filed by or against a business with which they are related as a general partner or executive officer;

ii. any criminal conviction by final judgment or being subject to a pending criminal proceeding, domestic or foreign, other than cases which arose out of the ordinary course of business in which they may have been impleaded in their official capacity;

iii. being subject to any order, judgment, or decree of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities; or

iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(e) Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bankōs policy, these loans and other transactions are made on substantially the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bankōs DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bankōs equity or 15% of the Bankōs total loan portfolio, whichever is lower. As of December 31, 2015 and 2014, the Bank and its subsidiaries (hereafter the ñGroupò) were in compliance with such regulations.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Groupōs related parties include:

- key Management personnel, close family members of key Management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key Management personnel or their close family members;
- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Groupōs employees.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of Management, Board members and stockholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and two (2) non-voting members (the Chief Audit Executive and the CCO). The Chairman of the committee is an independent director and appointed by the Board.

Information related to transactions with related parties and with DOSRI is shown under Note 34 of the Audited Financial Statements of the Bank and Subsidiaries and Exhibit IV of the Supplementary Schedules Required by SRC Rule 68 Annex E.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

1) General

The annual compensation of executive officers consists of a sixteen (16)-month guaranteed cash emolument. Directors, on the other hand, are entitled to a reasonable per diem for each Board or Board committee meeting attended. The total per diem given to the Board of Directors of the Bank for the years 2015 and 2016 amounted to ₱41.950 million and ₱43.150 million, respectively.

Other than the abovestated, there are no other arrangements concerning compensation for services rendered by Directors or executive officers to the Bank and its subsidiaries.

2) Summary Compensation Table

Annual Compensation (In Pesos)					
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Others**	**Total**
Mr. Reynaldo A. Maclang President Four most highly compensated executive officers other than the CEO: 1. Cenon C. Audencial, Jr. Executive Vice President 2. Horacio E. Cebrero III Executive Vice President 3. Nelson C. Reyes Executive Vice President 4. Bernardo H. Tocmo Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2015	58,902,884	19,601,169	-	78,504,053
	Actual 2016	64,766,296	21,873,148	-	86,639,444
	Projected 2017	72,540,000	24,500,000	-	97,040,000
All other officers and directors (as a group unnamed)	Actual 2015	3,280,311,093	952,903,245	-	4,233,214,338
	Actual 2016	3,498,087,977	998,343,329	-	4,496,431,306
	Projected 2017	3,917,860,000	1,118,150,000	-	5,036,010,000

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All executive officers are covered by the Bankôs standard employment contract which guarantees annual compensation on a sixteen (16)-month schedule of payment. In accordance with Sec. 6.1, Article VI of the Bankôs Amended By-Laws, all officers with the rank of Vice President and up hold office and serve at the pleasure of the Board of Directors.

4) Warrants and Options Outstanding

No warrants or options on the Bankôs shares of stock have been issued or given to the Directors or executive officers as a form of compensation for services rendered.

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co. (ñSGVò) is the current external auditor of the Bank and its domestic subsidiaries for the calendar year 2016. Representatives of SGV are expected to be present at the Annual Stockholdersô Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky Lee Salas is the engagement partner of the Bank for the year 2016.

The Board Audit and Compliance Committee (ñBACCò) has sole authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality, (ii) technical competence and expertise of auditing staff, (iii) independence, (iv) effectiveness of the audit process, and (v) reliability and relevance of the external auditor's reports. The Bank intends to re-appoint SGV as its external auditor for the year 2017, subject to the endorsement of the BACC, approval of the Board of Directors and appointment by the stockholders.

For the years reported, there were no changes in and disagreements with the Bank's external auditors on accounting and financial disclosure.

OTHER MATTERS

Item 8. ACTION WITH RESPECT TO REPORTS

The following matters will be submitted to a vote at the Annual Stockholdersô Meeting:

1. Approval of the Minutes of the 2016 Annual Stockholdersô Meeting held on May 31, 2016

   Among others, the salient matters approved at the meeting of the stockholders in 2016 are as follows:

   a. Amendment of Section 4.2, Article IV of the Amended By-Laws, to change the date of the Annual Stockholdersô Meeting from the last Tuesday of May to the last Tuesday of April of each year

   b. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2015 Annual Stockholdersô Meeting

   c. Election of Directors

   d. Appointment of External Auditor

2. Approval of the 2016 Annual Report

   A copy of the 2016 Annual Report will be made available at the venue of the Annual Stockholdersô Meeting.

3. Ratification of all legal acts and proceedings of the Board of Directors and corporate officers since the 2016 Annual Stockholdersô Meeting

   A list of all legal acts, resolutions and proceedings taken by the Directors and corporate officers will be too voluminous to be included in this report. Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon. These actions are subjected to the annual review of the BSP and the Bankôs external auditor.

   Copies of the Minutes of the Meetings of the Board of Directors may be examined by the stockholders of record as of March 27, 2017 at the Office of the Corporate Secretary during business hours.

Item 9. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) directors will be elected for the year 2017 ï 2018.

(b) Appointment of External Auditor

The BACC has sole authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality, (ii) technical competence and expertise of auditing staff, (iii) independence, (iv) effectiveness of the audit process, and (v) reliability and relevance of the external auditor's reports. The Bank intends to retain SGV as its external auditor for the year 2017, subject to the endorsement of BACC, approval of the Board of Directors and appointment by the stockholders.

SGV has the advantage of having historical knowledge of the business of the Bank and its subsidiaries and affiliates, having been the appointed external auditor of the Bank in 2016 and prior years.

Item 10. VOTING PROCEDURES

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholdersô Meeting, except for Item 7 of the Agenda, on the election of directors.

For the election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

The manner of voting and counting of votes will be as follows:

a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his name on record as of the close of business hours on March 27, 2017. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before 5:00 p.m. on April 20, 2017 for inspection and recording, shall be honored for purposes of voting.

b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.

c) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and may be done by show of hands.

d) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

Item 11. CORPORATE GOVERNANCE

The Bank acknowledges that corporate governance is a dynamic concept and is a framework of rules, systems and processes in the organization. It has established a corporate governance framework in accordance with global standards and best practices. It has sustained building a stronger corporate governance framework as its principles constantly evolves globally. The Bankôs corporate governance framework incorporates the functions, duties and responsibilities of the Board and Management to the stockholders and other stakeholders. It provides direction towards the promotion of a bigger, stronger, and better corporate governance culture, while recognizing the current best practices. It takes also into account the context and principles prescribed under the ASEAN Corporate Governance Scorecard (ACGS). The framework also strives to raise corporate governance standards to a level that is at par with global standards and provide sustainable contribution to the development of Philippine capital markets.

The Bank adheres and strives to the highest principles of good corporate governance as embodied in the Bankôs Amended Articles of Incorporation, Amended By-Laws, Code of Conduct and its Revised Corporate Governance Manual; and at the same time, PNB believes that Corporate Social Responsibility is a commitment that is shared by everyone in the Bank. It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business, dealing fairly with its clients, investors, stockholders, the communities affected by the Bankôs activities and the public. The Bank espouses professionalism among its Board of Directors, Executives and employees, subsidiaries and affiliates, and respect for laws and regulations. The Bank continues to fervently pursue Corporate Social Responsibility (CSR) initiatives by giving back to the community and creating value for all stakeholders as it is a commitment that begins with the exercise of sound and fair corporate practices. PNB believes that CSR is a commitment that is shared by everyone in the Bank.

The Bankôs operations is managed through an established organizational structure and adequate policies and procedures embodied in the manuals approved by the Board, Board Committees and Management. These manuals are subjected to periodic review and are updated regularly to incorporate new laws and regulations and to conform to the evolving global and regional standards and best practices.

The Bank was a recipient of the Silver Award for good corporate governance from the Institute of Corporate Directors (ICD) for two consecutive years, in 2011 and 2012. This is in recognition of the Bankôs existing organization composed of dedicated corporate directors and Senior Management committed to the professional corporate directorship in line with global principles of modern corporate governance. In 2015, PNB was recognized among all publicly listed companies in the country by the PSE as one of the Top Ten Bell Awardees. The awards commend publicly listed companies and trading participants that practice the highest standards of corporate governance in the Philippines.

In 2016, with the objective that the Bankôs corporate governance ensures sustainability with the global standards and best practices, the Bank engaged the health check services of the Institute of Corporate Directors (ICD), to identify the strengths and weakness of its corporate governance practices vis-a-vis the ASEAN Corporate Governance Scorecard (ACGS) standards.

Board of Directors

The Bankôs compliance with the highest standards in corporate governance is principally initiated and led by the Board of Directors, composed of fifteen (15) members, including five (5) independent directors and Chairperson. The members of the Board are selected from a broad pool of competent and qualified candidates. The nominated Board members are elected annually by the stockholders. The Board is mandated to take final responsibility for exercising oversight function over Management, while taking a long-term view in securing the Bankôs sustainability through due observance of fairness, transparency, and accountability under a corporate regime underpinned by ethics and social responsibility. Further, the Board has the primary responsibility of approving and overseeing the implementation of the Bankôs strategic objectives, risk management strategy, corporate governance and corporate values, to foster the long-term success of the Bank, its subsidiaries and affiliates; and secure its sustained competitiveness and profitability in a manner aligned with PNBôs corporate objectives and the best interests of its stockholders and other stakeholders.

The Bank observes diversity in the Board as there is no restriction on the membership of the Board on account of age, gender, nationality or race. The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations. The members of the Board believe in the highest level of integrity and possess broad and collective range of expertise that provides value in sustaining and upholding good corporate governance practices in the Bank.

The Board of Directors, the key officers of the Bank and its subsidiaries undergo continuous and sustainability training program in corporate governance. In August 2016, the Board and the entire Senior Management participated in the Securities and Exchange Commission (SEC) Corporate Governance Forum. PNB Group has three (3) directors inducted as ñfellowsò. Two (2) Directors were confirmed by the Philippine Institute of Corporate Directors and one (1) director certified as ñfellowò by the Australian Institute of Corporate Directors. This is attributed to their distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility.

Independent Directors

In carrying out their duties and responsibilities, the directors must act in a prudent manner and exercise independent judgment while encouraging transparency and accountability. The Bank has five (5) independent directors, representing 33% of the Board, which is in compliance with SEC MC No. 19, Series of 2016. The appointment of the five (5) independent directors, namely the Board Chairperson, Florencia G. Tarriela, and Board members Felix Enrico R. Alfiler, Edgar A. Cua, Federico C. Pascual, and Cecilio K. Pedro, were approved and confirmed by the appropriate regulatory bodies.

The independent directors act as Chairman of the Board, Corporate Governance/Nomination/ Remuneration Committee, Board Audit and Compliance Committee, Board Oversight RPT Committee, Board Risk Oversight Committee and Board Trust Committee.

Chairperson of the Board

The Board Chairperson is Ms. Florencia G. Tarriela, a position she has been holding since 2005. Chairperson Tarriela has extensive experience in the banking industry and is an active member of numerous banking and non-profit institutions. She is currently a Life Sustaining Member of Bankers Institute of the Philippines (BAIPHIL) and Financial Executive of the Philippines (FINEX). She is also a Board Trustee of TSPI Development Corporation since 2003. She was a former Undersecretary of Finance, a former Alternate Board Member of the Monetary Board of BSP, was Alternate Board Member of Land Bank and PDIC, and was a Managing Partner & the First Filipina Vice President of Citibank N.A., Philippines. As an Independent Director, Chairperson Tarriela sits as Chairman of Corporate Governance/Nomination/Remuneration Committee and member of the two (2) Board Committees namely, the Board Audit and Compliance Committee and Board IT Governance Committee. She also sits as a Non-Voting Member in the Executive Committee.

The Board Chairperson works closely with the President & Chief Executive Officer. This complementary relationship provides appropriate balance of power, increased accountability, and independent decision making by the Board while Management having the responsibility to execute strategic plans of the Bank.

Board Committees

The following eight (8) Board Committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates: Board Executive Committee; Corporate Governance/Nomination/Remuneration Committee; Board Audit and Compliance Committee; Board Risk Oversight Committee; Board Trust Committee; Board Oversight RPT Committee; Board Oversight Committee- Domestic and Foreign Offices/Subsidiaries; and Board IT Governance Committee.

The authority, duties and responsibilities, as well as the frequency of the Board committee meetings are stated in their respective charters. Meetings are generally held on a monthly basis which may include special Board committee meetings when necessary. The Board committee secretariats are responsible for ensuring that the regular agenda of the meetings and resource persons are informed and provided with committee materials prior to meetings. The committee secretariat prepares the minutes of the committee meetings for endorsement and confirmation of the PNB Board and records the attendance of the committee members.

The Independent Directors are appointed Chairman of the oversight control committees namely, the Board Corporate Governance/Nomination/Remuneration Committee, Board Audit and Compliance Committee, Board Risk Oversight Committee, and Board Oversight RPT Committee.

Related Party Transaction (RPT)

In 2016, the Bank focused on the sustainability of the existing related party transaction policies and procedures. The policies were enhanced to align its provisions with the new BSP Circular on RPT, the principles of the ASEAN Corporate Governance Scorecard (ACGS), and with Basel III guidelines on good corporate governance. The expanded RPT policies covered the (i) oversight functions of the Board and the Board Oversight RPT Committee (BORC) while implementation by the Senior Management was reflected in the revisions made on procedures in the Operations Manuals, (ii) development of the RPT database system, (iii) enhancement in the review and audit programs conducted by the independent teams comprised of the Internal Audit Group and Global Compliance Group; and (iv) the external auditors and examinations performed by regulatory bodies.

Conflict of interests that may arise to related parties of the bank are managed through a Board approved enterprise-wide RPT Policy Framework. The Board Oversight RPT Committee (BORC) was created to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest, to ensure that exposures to related parties are made on an armõs length basis, are effectively monitored, appropriate steps are taken to control or mitigate the risks and write-offs of such exposures are made according to standard policies and processes.

The key elements of the RPT Policy Framework include the Board and Senior Management oversight, policies and procedures, training, monitoring and assessment, and disclosures/reports. The RPT guidelines cover a wide range of transactions that could pose credit risk, counterparty risk, material risk and potential abuse to the Bank and its stakeholders. The Bank ensures that individual and aggregate exposures to related parties are within prudent levels consistent with existing prudential limits and internal limits, monitored through independent reviews by Internal Audit and Global Compliance Groups, covered in disclosures and/or reporting requirements. There is sustained awareness of the RPT Policy Framework through RPT Framework Training Programs conducted by the Bank. The members of the Board, stockholders, and Management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matters affecting the Bank. Directors and officers involved in possible conflict of interest shall disassociate themselves from the decision making process and abstain in the discussion, approval and management of such transactions or matters affecting the Bank. The Board Oversight RPT Committee may inform the Corporate Governance/Nomination/Remuneration Committee of the directors/officersô actual/potential conflicts of interest with the Bank, as necessary.

The Bank strictly applies the arm's length policy in the management of RPTs. The following critical factors are to be considered in the evaluation (a) the related partyõs relationship to the Bank and interest in the transaction, (b) the material facts of the proposed RPT, including the proposed aggregate value of such transactions, (c) the benefits to the Bank of the proposed RPT, (d) the availability of other sources of comparable products or services, and (e) the assessment of whether the proposed RPT is on the terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances

Board Oversight RPT Committee (BORC)

The BORC was created in September 2013. The authorities and responsibilities of the BORC are governed by a Charter to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of stockholders, Board members, Management, and other stakeholders. The Committee is composed of five (5) regular members, including three (3) Independent Directors (IDs); and two (2) non-voting members, the Chief Audit Executive (CAE), and the Chief Compliance Officer (CCO). The CCO is designated as Secretariat of the Committee.

The BORC has the authority to evaluate RPT. In conformity with Bankõs policy, RPT dealings should be treated in the regular course of business on armõs length basis. This means that the RPTs are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. No corporate or business resources of the Bank are to be misappropriated or misapplied and sound judgment is to be exercised for the best interest of the Bank. Material RPTs are to be reviewed and endorsed to the Board for approval/notation by the BORC.

The duties and responsibilities of the BORC include: (i) reviewing and approving RPT policy guidelines; (ii) evaluating on an ongoing basis existing relations between and among businesses and counterparties; (iii) evaluating material RPTs; (iv) ensuring that appropriate disclosures are made; (v) endorsing to the Board (vi) reporting to the Board the status and aggregate exposures to related parties; (vii) ensuring that RPTs, including write-off of exposures are subject to independent reviews; and (viii) overseeing implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.

The RPT policy has been formulated and adopted in accordance with the provisions of the SEC Code of Corporate Governance and BSP regulations, including the PNB Code of Conduct and Business Ethics, to wit:

Å Code of Conduct ï it prescribes the moral code for PNB employees. The Code of Conduct instills discipline and yields higher productivity at the workplace and enhances and safeguards the corporate image of the Bank. Its overall intent is more for the prevention of the infraction rather than the administration of disciplinary measures. It also defines and provides the standards of conduct expected of all employees and enumerates the actions or omissions prejudicial to the interest of the Bank. All employees are required to certify that they have been furnished with a copy of the PNB Code of Conduct and further certify that they have read and thoroughly understood the provisions thereof, agree to be bound by the said policy, and fully aware that a violation of the Code will subject them to disciplinary action.

Å Whistleblower Policy ï This policy encourages the Bank employees and third parties to report any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulation and/or any misconduct by its directors, officers or staff in accordance with the Whistleblower Policy. It protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.

Å Soliciting and/or Receiving Gifts Policy ï All PNB employees are expected to observe discretion and prudence in receiving gifts or donations, whether in cash or in kind, and other form of hospitality. Soliciting gifts/donations/sponsorship from clients, suppliers, and other business related parties is strictly prohibited. Employees, however, may be allowed to receive gifts/donations/sponsorship/financial assistance from clients, suppliers, and other business related parties, provided that said gifts/donations/sponsorships worth Two Thousand Pesos (PhP2,000.00) and above must be reported to the Human Resource Group (HRG), declaring the value, the giver and action taken. On the other hand, gifts with estimated value of more than Five Thousand Pesos (PhP5,000.00) shall likewise be reported and turned-over to the HRG for donation to any legitimate charitable institution preferred by the concerned employee.

Å Personal Investment Policy ï The policy set forth prudent standards of behavior for all employees when conducting their personal investment transactions. It provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the personal investment policy of the Bank. These investments should not appear to involve a conflict of interest with the activities of the Bank or its customers. Employee investment decisions must be based solely on publicly available information and should be oriented toward long term investment rather than short term speculation. As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material non-public information about PNB that, if known by the public, might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB security unless the transaction is effected as a bona-fide hedge.

The Corporate Governance Framework and RPT Framework are integral in the Bankôs Compliance Awareness Training Program conducted regularly by the Global Compliance Group. Sustained awareness of group-wide personnel, as well as other stakeholders on good corporate governance and RPT compliance include posting of Corporate Governance manuals and RPT policies and procedures in the PNB website.

Operations Management

The day-to-day operations of the Bank and the implementation of the major business plans are under the responsibility of the President and the Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the following major Management committees: Senior Management Team, Asset & Liability Committee, Acquired Asset Disposal Committee (AADC), Operations Committee, Product Committee, IT Management Committee, Procurement Committee, Promotion Committee, Ethical Standards Committee, PNB Succession Management Program-Talent Board, Senior Management Credit Committee, Philippine AML Review Committee and Occupational Safety, Health and Family Welfare Committee. Committee meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

As part of the strong culture of accountability and transparency in the organization, the business plans, significant issues and its resolutions are escalated to the level of the Board by the Management committees. Majority of the Management committees has the President as the Chairman with the members comprised of Senior Management of the Bank and key officers of the various business segments, the Risk Management Group, Office of the Chief Legal Counsel, Internal Audit Group and Global Compliance Group. Periodical assessments are made to the composition and appointment of the senior officers in the different Management committees and may be reorganized according to the priorities set by the Bank.

Compliance System

The Bank has a well-defined organizational structure, updated policies and procedures, and an effective compliance program to reinforce a compliance system that fully adheres to banking laws and regulations. The Compliance Programs of PNB intends to promote safe and sound operations. In the process, the execution of the Compliance Programs is in support for the sustainability of an environment influenced by high corporate standards and best practices of good corporate governance.

The CCO, head of the Global Compliance Group, directly reports to the Board Audit and Compliance Committee. The CCO has direct responsibility for the effective implementation and management of the enterprise compliance system for the Bank, its subsidiaries and affiliates. The CCO is also primarily responsible for promoting compliance with the laws and regulations of the different jurisdictions, corporate policies and procedures and international standards and best practices. The CCO has been appointed by the Board of Directors as the Corporate Governance Executive tasked to assist the Board and the Corporate Governance/Nomination/Remuneration Committee in the discharge of their corporate governance oversight functions.

PNBøS various Compliance Frameworks are carried out by the Global Compliance Group through the five (5) major divisions, namely, Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Compliance Testing and Review Division and Corporate Governance Monitoring Division. The latter provides direct support to the Board Audit and Compliance Committee, Corporate Governance/Nomination/Remuneration Committee and the BORC on corporate governance matters.

The Bankøs existing Compliance Program clearly defines the eight (8) key elements of an effective compliance framework, with proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust MIS and compliance reporting, comprehensive compliance and AML awareness training, independent compliance testing reviews and sustained good working relationships with regulators. The Compliance Program for 2016-2017 incorporated new rules and regulations from various domestic and foreign regulatory bodies. Cognizant of rising concern on cybercrime related risks in the banking industry worldwide, an AML Cybercrime Officer was appointed in Global Compliance Group. The Compliance Programs of PNB remains effectively implemented across businesses.

The major Compliance Manuals include the Bankọs AML/CFT Policy Guidelines, Money Laundering and Terrorist Financing Prevention Manual, FATCA Compliance Manual, and Remittance Third Party Arrangement Compliance Program. These compliance manuals were approved by the Board and implemented with updated policies and procedures to fully address in a timely manner recent developments and issuances by regulatory bodies.

With a comprehensive compliance system consistently implemented enterprise-wide and an effective compliance framework for PNB, no material deviation has been noted.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Registrant undertakes to provide without charge to each stockholder a copy of the Bank's Annual Report or SEC Form 17-A upon written request to the Bank addressed to:

The Corporate Secretary
Philippine National Bank
9/F, PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasay on March 14, 2017.

PHILIPPINE NATIONAL BANK

by:

MAILA KATRINA Y. ILARDE
Corporate Secretary

"Annex A"

AGENDA

DETAILS AND RATIONALE

1. **Call to Order**. The Chairman, Ms. Florencia G. Tarriela, will formally open the 2017 Annual Stockholdersô Meeting of the Philippine National Bank (ñPNBò, the ñBankò).

2. **Secretary's Proof of Notice and Quorum**. The Corporate Secretary, Atty. Maila Katrina Y. Ilarde, will certify that copies of the Notice were duly sent to the stockholders of record as of March 27, 2017. Thereafter, Atty. Ilarde will certify as to the existence of a quorum for a valid transaction of business at the Annual Stockholdersô Meeting.

3. **Approval of the Minutes of the 2016 Annual Stockholders' Meeting held on May 31, 2016.** The Minutes of the 2016 Annual Stockholdersô Meeting of the Bank will be presented to the stockholders for approval. Copies of the said Minutes, as well as the resolutions of the Board of Directors from the last stockholdersô meeting held on May 31, 2016 up to the present, are available for examination during office hours at the Office of the Corporate Secretary at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila.

4. **Report of the President on the Results of Operations for the Year 2016.** The President, Mr. Reynaldo A. Maclang, will present to the stockholders the highlights of the Bankös performance for the year 2016.

5. **Approval of the 2016 Annual Report.** The 2016 PNB Annual Report, as well as the Audit Financial Statements (AFS) as of December 31, 2016, will be presented to the stockholders for approval. A copy of the AFS is incorporated in the Definitive Information Statement distributed to the stockholders.

6. **Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2016 Annual Stockholders' Meeting.** The acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2016 Annual Stockholdersô Meeting, most of which relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon, will be presented to the stockholders for approval and ratification. Copies of the Minutes of the Meetings of the Board of Directors may be examined upon request by the stockholders of record as of March 27, 2017 at the Office of the Corporate Secretary during business hours.

7. **Election of Directors.** The Chairman of the Nomination Committee will present to the shareholders the nominees for election as members of the PNB Board of Directors. The profiles of the nominees are included in the Definitive Information Statement distributed to the stockholders.

8. **Appointment of External Auditor.** The appointment of SGV as the Bankös external auditor for the year 2017 will be presented to the stockholders for confirmation and ratification.

9. **Other Matters.** Other matters arising subsequent to the sending out of the Notice of the Meeting and the Agenda, and as may be relevant to the Annual Stockholdersô Meeting, may be presented to the stockholders for consideration.

10. **Adjournment.** Upon consideration of all matters included in the Agenda, the Chairman shall declare the meeting adjourned.

P R O X Y

The undersigned stockholder of **PHILIPPINE NATIONAL BANK** (“PNB”) does hereby nominate, constitute and appoint:

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as my/our proxy, with the right of substitution and revocation, to represent me/us and vote all shares registered in my/our name in the books of PNB at the Annual Stockholders’ Meeting scheduled on April 25, 2017. I/we hereby confirm and ratify any and all acts lawfully done by my/our proxy pursuant hereto.

Any other proxy or proxies issued by me/us on or before this date is/are hereby considered revoked and declared null and void and will have no effect whatsoever.

Date: ____________

____
Signature over Printed Name

MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank (ñPNBò or the ñBankò or the ñParent Companyò), the countryôs first universal bank, is the fourth largest private local commercial bank in terms of assets. Last July 22, 2016, PNB celebrated its Centennial Year with the theme, ñA Century of Excellenceò, signifying a meaningful milestone for an institution that has served generations of Filipinos here and abroad. For 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world.

The Bank was established as a government-owned banking institution on July 22, 1916. As an instrument of economic development, the Bank led the industry through the years with its agricultural modernization program and trade finance support for the countryôs agricultural exports, pioneering efforts in the Overseas Filipino Workers (ñOFWò) remittance business, as well as the introduction of many innovations such as Bank on Wheels, computerized banking, ATM banking, mobile money changing, domestic travelerôs checks, and electronic filing and payment system for large taxpayers. PNB has the widest overseas office network and one of the largest domestic branch networks among local banks.

On February 9, 2013, the Bank concluded its planned merger with Allied Banking Corporation (ñABCò) as approved and confirmed by the Board of Directors of the Bank and of ABC on January 22 and January 23, 2013, respectively. The respective stockholders of the Bank and ABC, representing at least two-thirds (2/3) of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original Plan of Merger was approved on June 24, 2008 by the affirmative vote of ABC and the Bankôs respective stockholders, representing at least two-thirds (2/3) of the outstanding capital stock of both banks.

In February 2014, the Bank successfully completed its Stock Rights Offering (ñOfferò) of 162,931,262 common shares (ñRights Sharesò) with a par value of ₱40.00 per share at a price of ₱71.00 each. The Rights Shares were offered to all eligible stockholders of the Bank at the proportion of 15 Rights Shares for every 100 common shares as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Bank. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. The Offer strengthened the Bankôs capital position under the Basel III standards, which took effect on January 1, 2014.

PNB successfully closed and signed a USD150 million 3-year syndicated term loan facility with a large group of international and regional banks in April 2015. The facility was launched at USD150 million and attracted total commitments of USD220 million at close of syndication, representing an oversubscription of about 1.5 times with lending commitments received from 10 regional and international banks. This marks PNBôs return to the syndicated loan market after more than a decade, the last being in 1998. The diversity of the syndicate of lenders is an affirmation of the growing international market appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital marketôs confidence in the credit strength of the Bank.

In December 2015, Allianz SE (ñAllianzò) and PNB have reached an agreement to enter into a 15-year exclusive distribution partnership and for Allianz to acquire 51% of PNB Life Insurance Inc. (ñPNB Lifeò), the life insurance subsidiary of PNB. An important part of the joint venture between Allianz and PNB is a 15-year bancassurance agreement, which will provide Allianz exclusive access to PNBôs 675 branches located nationwide, and four million customers. On June 6, 2016, 12,750 common shares of stock, representing 51% of the total issued and outstanding capital stock of PNB Life, was sold to Allianz.

Mr. Olaf Kliesow was subsequently appointed as CEO of the new venture. This acquisition marks Allianzȇs entry into the fast-growing insurance market with an established distribution network, and enhances the Parent Companyȇs position in Asia Pacific. The joint venture company will operate under the name of ȒAllianz PNB Life Insurance, Incȓ, as approved by the Securities and Exchange Commission (ȒSECȓ) on September 21, 2016.

On June 16, 2016, PNB exercised its Call Option to redeem its ₱6.5 billion Lower Tier 2 Unsecured Subordinated Notes with an interest rate of 6.75% (ȒNotesȓ). The said Notes were issued on June 15, 2011.

The Board of Directors of PNB approved a cash dividend declaration of ₱1.00 per share for an aggregate payout of ₱1.25 billion to be taken out of the Bankȇs unrestricted Retained Earnings as of March 31, 2016. The cash dividend was paid to all stockholders of record as of August 19, 2016 on September 15, 2016. This marks the first dividend declaration of the Bank after its full privatization in 2007.

Following the approval from the Bangko Sentral ng Pilipinas (ȒBSPȓ) to issue up to ₱20.0 billion of Long Term Negotiable Certificates of Time Deposit (LTNCD) in tenors of 5.5 to 10 years in multiple tranches over a period of 1 year, PNB launched the initial tranche of LTNCDs on November 14, 2016. The initial offering was set at ₱3.0 billion, but was oversubscribed at ₱5.38 billion. The offer has a tenor of 5 years and 6 months and a coupon of 3.25% per annum. PNB is offering the LTNCDs to extend the maturity profile of the Bankȇs liabilities as part of overall liability management and to raise long-term funds for general corporate purposes.

Reflecting the consistent improvement in its credit profile, Fitch Ratings upgraded PNBȇs credit rating to one notch below investment grade in July 2016. The upgrade was based on expectation that the Bank will maintain broadly steady asset quality, adequate capital buffers, and stable funding and liquidity profiles as it grows and potentially gains market share amidst continued economic improvement and pro-active regulatory oversight. The rating agency raised PNBȇs Long-Term Issuer Default Rating from BB to BB+ and its Viability Rating from 'bb' to 'bb+' and maintained its stable outlook. In October 2016, Moodyȇs Investors Service maintained the investment grade rating of PNB. PNBȇs long-term and short-term deposit ratings are Baa3/P-2 with a stable outlook.

Likewise, in affirmation of the Bankȇs well-managed operations, PNB received awards from the BSP and other international award-giving bodies. In the 2014 BSP Stakeholdersȇ Ceremony, the Bank was recognized as the Outstanding PhilPass REMIT Participant. In recognition of PNBȇs innovative products, the Bank, together with PNB Life, was also accorded the Excellence in Business Model Innovation Award during the 2014 Retail Banker International Asian Trailblazer Awards for its Healthy KaPinoy Emergency Card which was launched in 2013 in the market. PNB was also awarded by the Asian Banking and Finance Awards as the ȒBest Website for 2015 Philippinesȓ in honor of the Bankȇs concerted efforts to address the ever-evolving needs of its clients. BancNet, on its 25th Anniversary, also awarded PNB as the ȒTop Inter-Bank Fund Transfer (IBFT) Transferee.ȓ Last October 2, 2015, PNB was awarded the Excellence in Retail Financial Services award under the ȒBest Remittance Business in the Philippinesȓ category by The Asian Banker. This is in recognition of the value-added differentiation that the Bank provides to the overseas Filipinos beyond remittance to include financial services such as Own-a-Philippine Home Loan, Pangarap Loan and Overseas Bills Payable System as well as other innovative products like Healthy KaPinoy medical card and ATM Safe insurance.

As a clear demonstration of the Bankȇs commitment in offering competitive financing structures to clients while contributing to economic development and nation building, PNB and its wholly-owned subsidiary PNB Capital and Investment Corporation were recognized internationally last October 30, 2015 when they won four awards from The Asset Triple A Asia Infrastructure Awards in Hong Kong. The awards were given for the following deals: a) Best Project Finance Deal of the Year and Best Transport Deal, both for the ₱31 billion project finance syndicated term loan facility for Metro Manila Skyway Stage 3 Project; b) Best Transport Deal, Highly Commended for the ₱23.3 billion financing facility for GMR Megawide Cebu Airport Corporation Project; and c) Best Power Deal for the ₱33.3 billion financing facility for Pagbilao Energy Corporation Project.

On February 26, 2016, PNB was honored with a Silver Anvil for its 2014 Annual Report during the Public Relations Society of the Philippinesȇ (PRSP) Gabi ng Parangal 51st Anvil Awards held at the Makati Shangri-La Hotel with the theme, ȒExemplifying Filipino Banking Excellenceȓ. The 2014 Annual Report showcased the improved business and financial results brought about by an enhanced customer focus, improved profitability, higher asset quality, and a strengthened synergy between PNB and the former ABC in its second year of merger.

PNBôs Bank on Wheels was likewise recognized by three international award-giving bodies: a) the Most Innovative Banking Service - Philippines 2016 award from the Global Business Outlook Awards; b) the Most Innovative Bank, Philippines 2016 award from International Finance Magazine (IFM) Awards; and c) the Most Innovative Banking Product Philippines 2016 from the Global Banking and Finance Review Awards. PNB relaunched the Bank on Wheels in December 2015 to meet the evolving needs of its customers and provide them with banking services when and where they need it most.

On July 20, 2016, PNB received the ñNew Consumer Lending Product of the Year Awardò for its SSS Pension Loan Program in the Asian Banking and Finance Retail Banking Awards 2016, held in Singapore.

During the SSS Balikat ng Bayan Award Ceremonies last Sept 2, 2016, PNB was awarded as Best OFW Collecting Partner. At the same time, PNB Savings Bank was awarded as Best Collecting Partner in the thrift bank category. The Best Collection Partner distinction is awarded to financial institutions that are consistently among the top institutions with the highest collections, have the biggest volume of transactions and widest coverage.

B. Business Description

1. Product and Services

PNB, through its Head Office and 675 domestic branches/offices and 73 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and Government Owned and Controlled Corporations (GOCCs) in the Philippines. PNBôs principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services.

Its banking activities are undertaken through the following groups within the Bank, namely:

Institutional Banking Sector
The Bankôs Institutional Banking Sector (IBS) is responsible for credit relationships with large corporate, middle-market and SME customers as well as with the Government, GOCCs and financial institutions.

Retail Banking Sector
The Retail Banking Group (RBS) principally focuses on retail deposit products (i.e., current accounts, savings accounts and high cost accounts) and services. While the focal point is the generation of lower cost funding for the Bankôs operations, the RBS also concentrates on the cross-selling of consumer finance products, trust products, fixed income products, credit cards and bancassurance products to existing customers and referred customers by transforming its domestic branch distribution channels into a sales-focused organization.

Consumer Finance
The Bankôs consumer financing business is seen to be a major contributor to its revenue stream in the medium term. PNB Savings Bank (PNBSB) serves as the consumer arm of PNB. Strategic initiatives have been undertaken to put in place the proper infrastructure to support PNBSBôs business growth. To further propel consumer loans growth, a number of marketing campaigns, aimed at generating business and increasing product awareness, were initiated.

Treasury Sector
The Treasury Sector primarily manages the liquidity and regulatory reserves of the Bank and risk positions on interest rates and foreign exchange borne out from the daily inherent operations in deposit taking and lending and from proprietary trading. This includes an oversight on risk positions of its foreign branches and subsidiaries.

Global Filipino Banking Group
The Global Filipino Banking Group covers the Bankĝs overseas offices which essentially provide convenient and safe remittance services to numerous OFWs abroad and full banking services in selected jurisdictions. It also provides consumer financing through the *Pangarap* Loan and Own a Philippine Home Loan which are available to OFWs.

Trust Banking Group
The Bank, through its Trust Banking arm provides a full range of Trust, Agency, and Fiduciary products and services designed to serve a broad spectrum of market segments. Its personal trust products and services include personal management trust, investment management, estate planning, guardianship, and life insurance trust. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Trust agency services include roles such as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank.

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) No. 7721 in 1994 and R.A. No. 10641 in 2014, as well as, the recent mergers and consolidations in the banking industry. As of the latest available data from the BSP, there were 42 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 22 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products, have larger lending limits and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and with its government customers, as well as builds on relationships with the Bankĝs other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bankĝs stronghold in the remittance business in 16 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks. As of December 31, 2016, the Bank has a distribution network of 675 branches and offices and 1,051 ATMs nationwide. The Bank is the fourth largest local private commercial bank in the Philippines in terms of local branches and the fourth largest in terms of consolidated total assets, net loans and receivables, capital and deposits. In addition, PNB has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The Bank and its subsidiaries (the ñGroupò) offer a wide range of financial services in the Philippines. The percentage contributions of the Groupĝs offices in Asia, the Canada and USA, United Kingdom and Other European Union Countries to the Groupĝs revenue, for the years 2016, 2015, 2014 are as follows:

	2016	2015	2014
Asia (excluding the Philippines)/ Middle East	4%	5%	4%
Canada and USA	2%	2%	2%
United Kingdom & Other European Union Countries	1%	1%	1%

Please refer to Note 6 of the Audited Financial Statements.

4. New Products and Services

The Bank launched the following products and services in 2016:

a. Corporate Bills Payment

Corporate Bills Payment is a collection service wherein corporate billers/merchants outsource the administrative task of collecting payments from their corporate payors/customers to the Bank. Through Auto Debit Arrangement (ñADAò), business entities, as the enrolled Accountholder/s (payors), are able to settle or pay, among others, bills/premiums/service fees and charges/membership dues (payables) by authorizing the Bank to charge the amount thereof against their enrolled current/savings account/s maintained with the Bank.

b. ATM Switch Migration

All PNB ATMs consolidated under one ATM switch, providing a more robust and higher capacity machine for customers, resulting to faster processing time and less downtime.

c. PNB-Meralco ADA Facility

In April 2016, PNB launched the MERALCO Automatic Debit Arrangement Bills Payment, an automated payment facility that allows PNB customers to settle their monthly MERALCO bills by authorizing PNB to charge the said amount against their enrolled deposit account.

d. One-Time Password (OTP) for online credit card transactions

PNB has implemented a OneTime Password (ñOTPò) authentication for all PNB MasterCard and Visa cardholders effective April 27, 2016 to strengthen the security for its online credit card transactions.

e. Use of Lendr for SSS Loan Applications

In partnership with PLDT, PNB launched the countryôs first digital and mobile lending facility for SSS pensioners in May 2016. The new facility is powered by a platform called Lendr. This allows SSS pensioners to apply for SSS Pension Loans via mobile and online applications.

f. UITF ATM Facility

UITF ATM facility is now available in all PNB branches. A first and only one of its kind in the Philippines, the UITF ATM Facility offers investments in UITFs via the ATM channel. It effectively expands the accessibility of PNB UITF products and enhances PNBôs competitive position vis-a-vis other banks. The launch was marked by social media postings and a print ad break on June 7 and 8, respectively.

g. PNB Mobile Banking App

The PNB Mobile App was released to the Apple and Google app stores in October 2016. Mobile apps are increasingly becoming a standard offering of banking and financial institutions, and a service expected by customers to be part of their daily banking requirements. With the PNB Mobile Banking App, it is expected that it will position the Bank into the digital age while providing a flexible and robust platform that allows the Bank to respond swiftly to the ever changing expectations of its clients. The app allows clients to do their banking transactions such as account balance and transaction inquiry, funds transfers, pay bills and order checkbooks. It also provides services that leverage on the everyday power of the mobile phone, including Touch ID verification, personalization and integration of location based services for clients to find PNB ATMs and branches.

h. Collection Solution for Electric Cooperatives

PNB aims to enhance the collections efficiency of Electric Cooperatives by deploying a mobile application to increase the number of collection agents.

i. Europay, Mastercard and Visa (EMV) Upgrade

The Bank has completed its systems upgrade to be able to support the new Europay, Mastercard and Visa (ñEMVò) standards for debit and credit card payment systems. EMV chip based payments is a global standard for more secure alternatives to traditional magnetic stripe payment cards. All elements of the Bankôs payment system ï ATM and POS terminals, debit cards and credit cards are now fully certified to be compliant to the EMV standard.

5. Related Party Transactions

Please refer to Item 5(e) of the Information Statement.

6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements

The Bankôs operations are not dependent on any patents, trademarks, copyrights, franchises, concessions, and royalty agreements.

7. Government Approval of Principal Products or Services

Generally, electronic banking (e-banking) products and services require BSP approval. New deposit products require notification to the BSP. The Bank has complied with the aforementioned BSP requirements.

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2016, 2015 and 2014 totaled ₱428.5 million, ₱372.7 million and ₱373.4 million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2016 is 8,357, of which 3,921 are classified as Bank officers and 4,436 as rank and file employees, broken down as follows:

	Total
Officers:	
Vice President and up	144
Assistant Manager up to Senior Assistant Vice President	3,777
Rank and File	4,436
Total	8,357

The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency. Foremost among these initiatives are the upgrade of its Systematics core banking system and the new branch banking system which are expected to bring about a gradual reduction in the number of employees in the support group upon full implementation.

With regard to the Collective Bargaining Agreement (CBA), the Bankôs regular rank and file employees are represented by two existing unions under the merged bank, namely: Allied Employee Union (ABEU) and Philnabank Employees Association (PEMA).

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial.

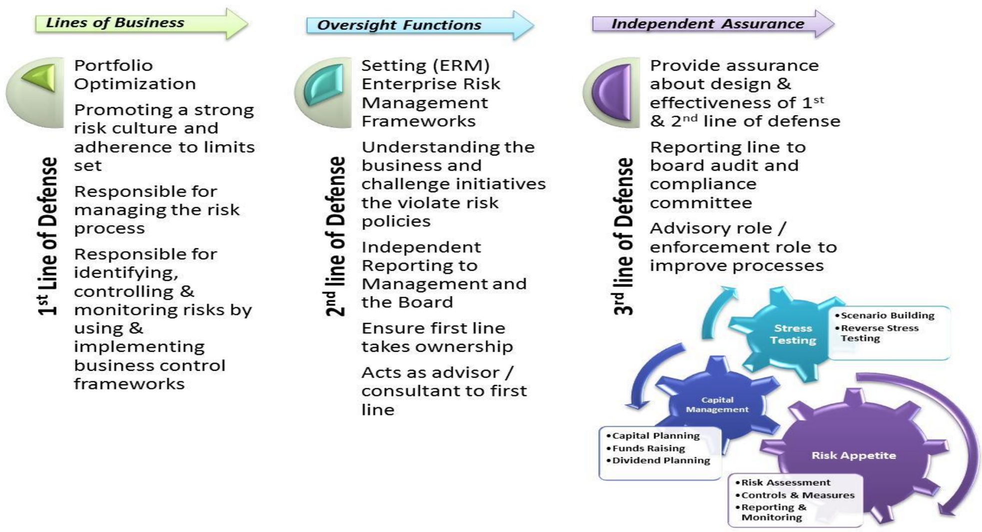
10. Risk Management

PNBôs Board of Directors have the ultimate responsibility and play a pivotal role in bank governance through their focus on two factors that will ultimately determine the success of the bank: responsibility for the bankôs strategic objectives and assurance that such will be executed by choice of talents. A sound, robust and effective enterprise risk management system coupled with global best practices were recognized as a necessity and are the prime responsibility of the Board and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of PNB, while positioning PNB Group to manage the changing regulatory environment in an effective and efficient manner.

Strong independent oversight has been established at all levels within the Group. The Bankôs Board of Directors has delegated specific responsibilities to various board committees which are integral to the PNBôs risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

The approach to managing risk is outlined in the Bankôs Enterprise Risk Management (ñERMò) Framework which creates the context for setting policies and standards, and establishing the right practices throughout the Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

Since 2006, the ERM Framework, with regular reviews and updates, has served PNB well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three lines-of-defense model (see Figure), which are fundamental to PNBôs aspiration to be world-class at managing risk.



While the first line of defense in risk management lies primarily on the Bankôs risk taking units, as well as the Bankôs support units, the Risk Management Group (ñRMGò) is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained.

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (ñCROò) who reports directly to the Risk Oversight Committee. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, BASEL and ICAAP Implementation Division, Market & ALM Division, Operational Risk Division, Information Security / Technology Risk Management, Trust and Fiduciary Risk Division and Business Intelligence & Warehouse Division.

Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These board approved policies, clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks.

The Bankôs governance policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. RMG also functions as the Secretariat to the Risk Oversight Committee which meets monthly to discuss the immediate previous monthôs total risk profile according to the material risks defined by the bank in its ICAAP document.

Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

The risk management system and the directorsô criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the Risk Oversight Committee for endorsement for final Board approval.

In line with the integration of the BSP required ICAAP (internal capital adequacy assessment process) and risk management processes, PNB currently monitors 13 Material Risks (three for Pillar 1 and six for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

1. Credit Risk (includes Credit Concentration, Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above:

Risk Categories and Definitions

We broadly classify and define risks into the following categories, and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2016 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterpartyộs failure to perform and meet the terms of its contract. Credit Concentration Risk is part of credit risk that measures the risk concen-tration to any single customer or group of closely-related customers with the potential threat of losses which are substantial enough to affect the financial soundness of a financial institution (*BSP Circular 414)*	▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation	▪ Trend Analysis (Portfolio / Past Due and NPL Levels ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review ▪ Specialized Credit

			Monitoring (Power, Real Estate)
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institutionôs overall portfolio, both on or off balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	Value at Risk Utilization Results of Marking to Market Risks Sensitivity/Duration Report Exposure to Derivative/Structured Products	▪ VAR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ ROP Exposure Limit ▪ Limit to Structured Products ▪ 30-day AFS Holding Period ▪ Exception Report on Tradersô Limit ▪ Exception Report on Rate Tolerance
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FIôs inability to meet its obligations when they come due.	▪ Funding Liquidity Plan ▪ Liquidity Ratios Large Fund Providers MCO Liquid Gap Analysis	▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circular No. 510, dated 03 Feb 2006)	▪ Interest Rate Gap Analysis ▪ Earnings at Risk Measurement ▪ Duration based Economic Value of Equity	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Duration based Economic Value of Equity ▪ Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk, but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs.	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: 1. Risk Identification ï Risk Maps 2. Risk Measurement and Analysis ï ICAAP Risk Assessment	▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis

	(BSP Circular No. 900, dated January 18, 2016)		
Included in the Operational Risks:			
Reputational Risk (Customer Franchise Risk)	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet clientôs expectation in delivering the Bankôs products and services.	▪ Risk Identification ▪ Risk Measurement ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: ▪ Risk Identification ï Risk Maps ▪ Risk Measurement and Analysis ï ICAAP Risk Assessment Major Factors considered: ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators)	Account Closures Report Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shopper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign ▪ Review of Stock Price performance ▪ Fraud Management Program
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.		▪ Management Profitability Reports ï Budgets vs Actuals ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting ▪ Annual Strategic Planning Exercise
Cyber Security Risk	Cyber Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the bankôs digital footprint through (not limited to) the following: • Breaches in data security • Sabotage on online (web-based) activities (Ransomware, DDOS, etc) • Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc) • Scams and Frauds (Social engineering, identify thefts, email scams, etc)		▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous infosec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of outbound and inbound digital traffic

Regulatory Capital Requirements under BASEL II – Pillar 1

The Bankôs Capital Adequacy Ratio as of end of December 2016 stands at 16.65% on a consolidated basis while the Bankôs Risk Weighted Assets (ñRWAò) as of end of 2016 amounted to ₱504.101 billion composed of ₱461.275 billion (ñCredit Risk Weighted Assets-CRWAò), ₱2.753 billion (Market Risk Weighted Assets-MRWA) and, ₱40.073 billion (ñOperational Risk Weighted Assets-ORWAò).

The Bank's total regulatory requirements for the four (4) quarters for 2016 are as follows:

Consolidated	**Weighted Exposures (Quarters 2016)**			
(Amounts in ₱ Million)	**As of Dec 31**	**As of Sept 30**	**As of June 30**	**As of Mar 31**
CRWA	461,274.99	447,846.236	450,360.195	423,718.803
MRWA	2,752.61	1,833.265	4,759.093	2,587.802
ORWA	40,073.48	40,073.478	40,073.478	40,073.478
Total Risk-Weighted Asset	**504,101.07**	**489,752.98**	**495,192.77**	**466,380.08**
Common Equity Tier 1 Ratio	15.80%	16.65	16.50	16.91
Capital Conservation Buffer	9.80%	10.65	10.500	10.91
Tier 1 Capital Ratio	15.80%	16.65	16.50	16.91
Total Capital Adequacy Ratio	**16.65%**	**17.53%**	**17.34%**	**17.77%**

Credit Risk-Weighted Assets as of December 31, 2016
(In Million Pesos)
The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moodyôs, Standard & Poorôs and PhilRatings agencies. The ratings of these agencies are mapped in accordance with the BSPôs standards. The following are the consolidated credit exposures of the Bank and the corresponding risk weights:

P In Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants *	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	11,770		11,770	11,504	266				
Due from BSP	127,397		127,397	127,397					
Due from Other Banks	25,897		25,897		16,421	7,848		1,628	
Financial Asset at FVPL	33		33					33	
Available for Sale	68,384	11,232	57,153	11,134	9,349	18,259		18,410	
Held to Maturity (HTM)	24,516	6,290	18,226	6,811		11,150		265	
Unquoted Debt Securities	3,277		3,277			2,731		546	
Loans & Receivables	414,784	21,636	393,148	2,749	41,376	9,650	25,016	313,005	1,352

Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	2,742		2,742	2,742					
Sales Contracts Receivable	5,748		5,748					5,103	645
Real & Other Properties Acquired	9,921		9,921						9,921
Other Assets	32,171		32,171					32,171	
Total On-Balance Sheet Asset	**726,640**	**39,158**	**687,482**	**162,337**	**67,412**	**49,638**	**25,016**	**371,161**	**11,918**
Total Risk Weighted Asset - On-Balance Sheet				-	13,482	24,819	18,762	371,161	17,877
Total Risk Weighted Asset - Off-Balance Sheet Asset				0	0	32	173	12,848	0
Counterparty Risk Weighted Asset in Banking Book				0	305	1,317	0	0	0
Counterparty Risk Weighted Asset in Trading Book				0	31	246	0	221	0

** Credit Risk Mitigants used are cash, guarantees and warrants.*

Market Risk-Weighted Assets as of December 31, 2016

The Bankôs regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach (ñTSAò). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The *general market risk* charge for trading portfolio is calculated based on the instrumentôs coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high risk-items (i.e., tenor greater than 20 years) while capital requirements for *specific risk* are also calculated for exposures with risk weights ranging from 0% to 8% depending on the issuerôs credit rating. On the other hand, equities portfolio are charged 8% for both specific and general market risk while FX exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under Standardized Approach

Amount in Millions	Capital Charge (a)	Adjusted Capital Charge b= a*125% 1/ (b)	Market Risk Weighted Exposures c= b*10 2/ (c)

Interest Rate Exposures	128.085	160.107	1,601.068
Specific Risk	30.709	38.386	383.860
General Market Risk	97.376	121.72	1,217.28
Equity Exposures	4.351	5.439	54.387
Foreign Exchange Exposures	87.772	109.715	1,097.151
Total	220.208	275.261	2,752.606
Notes: 1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum CAR of 10%, which is 25% higher than the Basel minimum of 8%. 2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)			

The following are the Bankǿs exposure with assigned market risk capital charge:

Interest Rate Exposures consist of specific risk and general market risk.

Specific Risk
Specific Risk which reflects the type of issuer of the held for trading (ñHFTò) portfolio is ₱30.709 million, of 71% is contributed by the securities with 1.6% risk weight issued by Republic of the Philippines (ROP) with tenor over 2 years while 29% is attributable to securities rated below BBB- and unrated securities with 8% riskweight.

ROPs compose 84% of the portfolio with applicable risk weight ranging from 0.25% and 1.6% depending on the tenor of the securities. On the other hand, the Bankǿs holdings in Peso denominated government securities which is estimated at 8% of the portfolio have zero risk weight. The remaining portfolio with applicable 8% risk weight consists of all other debt securities/derivatives that are issued by other entities and rated between AAA and BBB- (1%) as well as those rated below BBB- and unrated securities (7%)

Part IV.1a INTEREST RATE EXPOSURES ï SPECIFIC RISK (Amounts in Php million)	Positions	Risk Weight					
		0.00%	0.25%	1.0%	1.60%	8.00%	Total
Php-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	62.190					
	Short	62.190					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		1,247.145		1,308.327		
	Short				40.435		
Debt securities/derivatives with credit rating of AAA to BBB-issued	Long				8.285		
	Short						

by other entities							
All other debt securities/derivatives that are below BBB- and unrated	Long						
	Short					112.418	
Subtotal	Long	62.190	1,247.145		1,316.612	112.418	
	Short	62.190	0.0		40.435		
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		0.0	0.003	0.0	21.713	8.993	30.709
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		0.0	0.003	0.0	21.713	8.993	30.709

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱4.462 million. In terms of weighted positions, the greater portion (57%) of the Bankôs capital charge comes from the Over 1 month to 3 months bucket at ₱2.508 million as well as Over 7 years to 10 years bucket (32%) at ₱1.419 million or a combined capital charge of ₱3.927 million. The remaining weighted positions (10%) are sparsely distributed over the remaining buckets.

Currency: PESO								
PART IV.1d GENERAL MARKET RISK (Amounts in Php million)								
Zone	Times Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions					
			Long	Short		Long	Short	
1	1 month or less	1 month or less	11,222.445	1,248.400	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	1,254.127	-	0.20%	2.508	-	
	Over 3 months to 6 months	Over 3 months to 6 months	2.981	2.981	0.40%	0.012	0.012	
	Over 6 months to 12 months	Over 6 months to 12 months	1.019	0.491	0.70%	0.007	0.003	
2	Over 1	Over 1.0 year	2.100	-	1.25%	0.026	-	

	year to 2 years	to 1.9 years						
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	2.732	-	1.75%	0.048	-	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	-	-	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	3.014	-	2.75%	0.083	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	0.817	0.817	3.25%	0.027	0.027	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	37.844	-	3.75%	1.419	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	5.137	-	4.50%	0.231	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	13.715	13.715	5.25%	0.720	0.720	
	Over 20 years	Over 10.6 years to 12 years	1.117	-	6.00%	0.067	-	
		Over 12 years to 20 years	-	-	8.00%	-	-	
		Over 20 years	1.117	1.117	12.50%	-	-	
Total			12,547.047	1,266.404		5.148	0.762	
Overall Net Open Position								4.386
Vertical Disallowance								.076
Horizontal Disallowance								-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE								4.462

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱89.188 million. The exposure is concentrated under the Over 7 to 10 years buckets with risk weight of 3.75% and corresponding capital charge of at ₱45.184 million. The balance is distributed across the other time buckets up to Over 20 years with capital charge ranging from ₱0.532 million to ₱2.783 million.

Currency: USD								
PART IV.1d GENERAL MARKET RISK (Amounts in Php million)								
Zone	Times Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions					
			Long	Short		Long	Short	
1	1 month or less	1 month or less	10,624.459	11649.22	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	9,841.445	10627.111	0.20%	19.683	21.254	
	Over 3 months	Over 3 months to 6	695.864	0	0.40%	2.783	-	

	to 6 months	months						
	Over 6 months to 12 months	Over 6 months to 12 months	76.054	0	0.70%	0.532	-	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	-	0	1.25%	-	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	32.931	0	1.75%	0.576	-	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	2,778.848	2739.5942	2.25%	62.524	61.641	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	-	0	2.75%	-	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	-	0	3.25%	-	-	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	1,204.917	0	3.75%	45.184	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	6,485.441	6447.5734	4.50%	291.845	290.141	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	-	0	5.25%	-	-	
	Over 20 years	Over 10.6 years to 12 years	33.330	12.574468	6.00%	2.000	0.754	
		Over 12 years to 20 years	-	0	8.00%	-	-	
		Over 20 years	-	0	12.50%	-	-	
Total			31,773.290	31,476.073		425.1	373.8	
Overall Net Open Position								51.338
Vertical Disallowance								37.222
Horizontal Disallowance								0.629
TOTAL GENERAL MARKET RISK CAPITAL CHARGE								89.188

General Market Risk – Third currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days thus carries a 0% risk weight. The combined general market risk charge for contracts in Singapore Dollar (SGD) and Hongkong Dollar (HK) is ₱3.725 million with risk weight ranging from 0.20% and 0.40%.

PART IV.1d GENERAL MARKET RISK (Amounts in Php million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions		Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market Risk Capital Charge
		Long	Short	Risk Weight	Long	Short				

SGD		-	17.178	0.00%	-	-		-	-	
	Over 1 months to 3 months	-	173.980	0.20%	-	0.348		-	-	
TOTAL		-	191.158				0.348	-	-	0.348
HKD	1 month or less	373.435	1,907.951	0.00%	-	-				
	Over 1 months to 3 months	-	297.826	0.20%	-	0.596				
	Over 3 months to 6 months	-	695.428	0.40%	-	2.782				
	Over 6 months to 12 months			0.70%	-					
		373.435	2,901.205				3.377	-	-	3.377
Total										3.725

Equity Exposures

The Bankôs holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bankôs capital charge for equity weighted positions is ₱4.351 million or total risk-weighted equity exposures of ₱54.387 million.

Item	Nature of Item	Positions	Stock Markets Philippines (Amounts in Php million)
A.1	Common Stocks	Long	27.194
		Short	
A.10	TOTAL	Long	27.194
		Short	-
B.	Gross (long plus short) positions (A.10)		27.194
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		2.175
E.	Net long or short positions		27.194
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		2.175
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		4.351
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		5.439
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		54.387

Foreign Exchange Exposures

The Bankôs exposure to Foreign Exchange (ñFXò) Risk carries a capital charge of ₱1,097.251 million. This includes ₱370 million arising from exposure in Non-Deliverable Forwards (ñNDFsò) which carries a 4% risk weight while ₱724.251 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2016)						
	Closing Rate USD/PHP:					47.118
Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
A. Currency						
A.1 U.S. Dollar	USD	(14.266)	0.271		(13.995)	-695.822
A.2 Japanese Yen	JPY	0.233	-		0.233	11.605
A.3 Swiss Franc	CHF	0.144	-		0.144	7.166
A.4 Pound Sterling	GBP	(0.572)	-		(0.572)	-28.429
A.5 Euro	EUR	0.822	-		0.822	40.866
A.6 Canadian Dollar	CAD	0.079	-		0.079	3.917
A.7 Australian Dollar	AUD	0.091	-		0.091	4.510
A. 8 Singapore Dollar	SGD	0.093	-		0.093	4.641
A. 9 Foreign currencies not separately specified above		0.628		-		0.628
A. 10 Sum of net long positions						103.912
A.11 Sum of net short positions						724.251
B. Overall net open positions **1/**						724.251
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						57.940
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						72.425
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						724.251
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)						372.90
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						1,097.251
1/ Overall net open position shall be the greater of the absolute value of the sum of the net long position or the sum of net short position.						

Operational Risk – Weighted Assets

The Bank uses the Basic Indicator Approach in quantifying the risk-weighted assets for Operational Risk. Under the Basic Indicator Approach, the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% for this approach) of positive annual gross income (figures in respect of any year in which annual gross income was negative or zero are excluded).

(amounts in ₱0.000 Million) Consolidated as of Dec 31, 2016	Gross Income	Capital Requirement (15% x Gross Income)
2013 (Year 3)	18,172	2,726
2014 (Year 2)	22,061	3,309
2015 (last year)	23,884	3,583
Average for 3 years		3,206
Adjusted Capital Charge	Average x 125%	4,007
Total Operational Risk weighted Asset		**40,073**

The following represent the Bankôs significant subsidiaries:

Domestic Subsidiaries:

PNB Savings Bank (ñPNBSBò) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and ABC. PNBSB traces its roots from First Malayan Development Bank which ABC bought in 1986 to reinforce its presence in the countryside. On January 17, 1996, it was renamed First Allied Savings Bank following the grant of license to operate as a savings bank. It was in the same year that the Monetary Board of the BSP granted a foreign currency deposit license. In 1998, First Allied Savings Bank changed its name to Allied Savings Bank to further establish its association with the parent ABC. With the merger of PNB and ABC in 2013, Allied Savings Bank became a wholly owned subsidiary of PNB. In November 2014, the SEC approved the change of name of Allied Savings Bank to PNB Savings Bank.

PNBSB closed the year 2016 with total resources of ₱37.6 billion, up 66% from the previous year of ₱22.7 billion. Total deposits closed the year with ₱24.2 billion, the bulk of which 84% were in high cost funds maintained in Angat Savings, Regular Time Deposits and Power Earner 5+1, a special savings account and a short and long term deposits, respectively. This product continues to attract new customers and fresh funds given its competitive pricing versus other banksô equivalent product lines. Regular time deposits had ₱9.9 billion, Power Earner 5+1 with ₱7.4 billion and Angat Savings had ₱3.0 billion in deposit portfolio. Other deposit products are regular savings, demand deposit, checks plus and NOW accounts. Cash Card was positioned for those segments of the market demanding a no maintaining balance account required for payroll, transfer of funds for allowances, and even remittances.

Total loan portfolio registered ₱30.5 billion by the end of 2016, up 60% from the previous year of ₱19.1 billion. Of the total loan portfolio, 93% comprised of consumer loans which is the thrust of the bank as the lending arms of PNB, the parent bank, for the consumer loans.

PNBSB posted a net income of ₱335.3 million in 2016, double the previous year of ₱167.2 million. Its net interest income of ₱1.4 billion was up by 43% year-on-year while pre-tax profits improved by 84% to close at ₱465.8 million. Return-on-equity stood at 2.95% higher than previous year. Its Capital Adequacy Ratio (ñCARò) reached 37.21% and is well above the minimum required by the BSP. PNBSB ended the year with a network of 45 branches strategically located across Metro Manila, Southern & Northern Tagalog Regions, Bicol, Western Visayas and Northern Mindanao.

PNB General Insurers Co., Inc. (ñPNBGenò) is a subsidiary of the Bank established in 1991. It is a non-life insurance company that offers coverage for Fire and allied perils, Marine, Motor Car, Aviation, Surety, Engineering, Accident insurance and other specialized lines. PNBGen is a dynamic company providing and continuously developing a complete range of highly innovative products that will provide total protection to its customers at competitive terms. It started operations with an initial paid-up capital of ₱13 million. As of 31 December 2016, PNBGenôs paid-up capital was ₱912.60 million, one of the highest in the industry. Total Assets reached ₱6.88 billion with a total Net Worth of ₱659.30 million.

For the year ended December 31, 2016, the company recorded a Net Income of ₱109.48 million (unaudited) from a Net Loss of ₱490.50 million in 2015.

Allianz PNB Life Insurance, Inc. traces its roots to New York Life Insurance Philippines, Inc. (NYLIP), the Philippine subsidiary of US-based New York Life International, LLC. NYLIP commenced operations in the Philippines in August 2001.

In February 2003, ABC acquired a minority interest in NYLIP and started bancassurance operations in its branches nationwide.

In June 2007, New York Life International, LLC because of its Asian strategy, divested all its interests in NYLIP in favor of ABC and its principals, making the company a majority-owned subsidiary of ABC.

In May 2008, NYLIP changed its corporate name to PNB Life Insurance Inc. to reflect the change in ownership and in anticipation of the merger of ABC and PNB. This change in branding demonstrates the new ownersô commitment to the Philippine Life Insurance market niche, its dynamism and growth prospects.

In October 2009, PNB acquired a minority stake in PNB Life paving the way for the expansion of bancassurance operations of PNB Life to PNB branches nationwide.

In February 2013, the merger of ABC and PNB, with PNB as the surviving entity, further strengthened the bancassurance partnership with PNB Life which benefited from the resulting synergy and increased operational efficiency. This positive development set the stage for the introduction to the bank clients of competitive investment-linked Insurance products, designed to meet changing client needs for complete financial solutions.

As PNB Life expands its reach to more Filipino families, the company has set up Regional Business Centers (ñRBCsò) in San Fernando City, La Union to cover Northern Luzon; San Fernando City, Pampanga to serve Central Luzon; Naga City to serve Southern Luzon; Zamboanga City to cater Western Mindanao; Davao City to cover Eastern Mindanao; Cebu City to serve Eastern Visayas; Iloilo City to accommodate Western Visayas. In Metro Manila, it has business centers in Binondo in the City of Manila for West Metro Manila, while the offices in Quezon City Circle and Cubao seek to serve North and East Metro Manila, respectively.

In December 2015, an agreement to enter into an exclusive distribution partnership was reached with global insurance firm Allianz SE. Under the terms of the agreement, Allianz will acquire 51% of PNB Life. An important aspect of the joint venture is a 15-year bancassurance agreement. On June 6, 2016, 12,750 common shares of stock representing 51% of the total issued and outstanding capital stock of PNB Life was sold to Allianz. The change of the companyôs name to ñAllianz PNB Life Insurance, Incò was approved by the SEC on September 21, 2016.

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Bank, is licensed by the SEC to operate as an investment house with a non-quasi-banking license. It was incorporated on 30 June 1997 and commenced operations on 8 October 1997.

As of December 31, 2016, PNB Capital had an authorized and paid-up capital of ₱350 million or 3,500,000 shares with a par value of ₱100.00 per share. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory services, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds and other entities that invest in such securities.

Investment banking is a highly regulated industry. Regulatory agencies overseeing PNB Capital include the BSP, SEC, Bureau of Internal Revenue (ñBIRò), as well as several affiliates, support units and regulatory commissions of these entities.

The primary risks of the company include underwriting, reputational and liability risks. First, underwriting risk pertains to the risk of marketøs non-acceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered securities for its own account. Second, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Third, liability risk refers to the risk being held liable for any losses incurred by the client due to non-performance of committed duties or gross negligence by the company. These primary risks are addressed by:

- Ensuring that the staff is well-trained and capable, at the functional and technical level, to provide the services offered;
- Understanding the clientsô specific needs and goals;
- Clarifying and documenting all goals, methodologies, deliverables, timetables and fees before commencing on a project or engagement and including several indemnity clauses to protect PNB Capital from being held liable for actions and situations beyond its control. These indemnity clauses are revised and improved upon after each engagement, as and when new protection clauses are identified; and
- All transactions are properly documented and approved by the Investment Committee and/or Board of Directors.

PNB-IBJL Leasing and Finance Corporation (formerly Japan-PNB Leasing and Finance Corporation), was incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation. It was largely inactive until it was used as the vehicle for the joint venture between the Bank (60%), IBJ Leasing Co Ltd., Tokyo (35%), and Industrial Bank of Japan, now called Mizuho Corporate Bank (5%). The corporate name was changed to Japan-PNB Leasing and Finance Corporation and the joint venture company commenced operations as such in February 1998.

On January 31, 2011, PNB increased its equity interest in JPNB Leasing from 60% to 90%. The Bankøs additional holdings were acquired from minority partners, IBJ Leasing Co., Ltd. (IBJL) and Mizuho Corporate Bank, which divested their 25% and 5% equity interests, respectively. IBJL remains as an active joint venture partner with a 10% equity interest.

PNB-IBJL Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the amended Finance Company Act). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-IBJL Equipment Rentals Corporation*)*, term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (US dollar and Japanese yen) leases and loans are mostly funded by IBJL.

On April 3, 2014, the PNB-IBJL Leasing and Finance Corporation's Board and stockholders approved the increase of the companyøs authorized capital from ₱150 million to ₱1.0 billion, representing 10,000,000 shares with par value of ₱100 per share, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporationøs Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

On November 28, 2014, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buy back by IBJL from PNB of 15% equity ownership in Japan-PNB Leasing with a closing date of January 30, 2015.

On January 13, 2015, the SEC approved the increase in its authorized capital stock from ₱150.0 million (1.5 million shares) to ₱1.0 billion (10 million shares). Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

On January 30, 2015, the buyback of the 15% equity of Japan-PNB Leasing by IBJL from PNB was consummated, resulting to an equity ownership as follows: PNB - 75% and IBJL - 25%.

On March 27, 2015, the Securities and Exchange Commission approved the change of name of Japan-PNB Leasing and Finance Corporation to PNB-IBJL Leasing and Finance Corporation.

As of December 31, 2016, PNB-IBJL Leasing and Finance Corporationŏs consolidated total assets and total equity stood at ₱6.7 billion and ₱623.4 million, respectively. Its consolidated net loss for the year ended December 2016 was ₱125 million.

PNB-IBJL Equipment Rentals Corporation (formerly Japan-PNB Equipment Rentals Corporation) is a wholly-owned subsidiary of PNB-IBJL Leasing and Finance Corporation. It was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.

On March 11, 2015, the SEC approved the change of name from Japan-PNB Equipment Rentals Corporation to PNB-IBJL Equipment Rentals Corporation.

As of December 31, 2016, it had a paid-up capital of ₱40.0 million and total capital of ₱69.7 million. Its total assets and net income for the year ended December 31, 2016 were ₱555.1 million and ₱16.6 million, respectively.

Allied Leasing and Finance Corporation (ñALFCò) became a majority-owned (57.21%) subsidiary of PNB by virtue of the merger between PNB and ABC on February 9, 2013. ALFC was incorporated on 10 December 1978. The company is authorized by the SEC to operate as a financing company in accordance with the provisions of Republic Act No. 5980, as amended by R.A. 8856, otherwise known as the Financing Company Act. It started operations on 25 June 1980. On October 16, 1996, the authorized capital was increased to ₱500 million divided into 5,000,000 shares with a par value of ₱100.00 per share. As of 31 December 2016, ALFCŏs paid-up capital amounted to ₱152.50 million.

PNB Holdings Corporation (ñPHCò), a wholly-owned subsidiary of the Bank, was established on May 20, 1920 as Philippine Exchange Co., Inc. The SEC approved the extension of the corporate life of PNB Holdings for another fifty years effective May 20, 1970. In 1991, it was converted into a holding company and was used as a vehicle for the Bank to engage in the insurance business.

As of 31 December 2016, PHC had an authorized capital of ₱500.0 million divided into 5,000,000 shares with a par value of ₱100.00 per share. As of December 31, 2016, total paid-up capital of PHC was ₱255.1 million while additional paid-in capital was ₱3.6 million, while total assets and total capital were ₱337.6 million and ₱336.8 million, respectively, and net loss was ₱1.1 million.

PNB Securities, Inc. (ñPNBSecò) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. As a securities dealer, it is engaged in the buying and selling of securities listed in the Philippine Stock Exchange, Inc. either for its own account as Dealer or for account of its customers as Broker. It is a wholly-owned subsidiary of PNB and ranked 41st among 131 active members in the Philippine Stock Exchange, Inc. with 0.22% market share in terms of value turn-over as of December 31, 2016.

a. As of December 31, 2016, it has a total paid-up capital of ₱100.0 million with total assets and total capital of ₱242.3 million and ₱175.6 million, respectively. It ended year 2016 with a net income of ₱0.80 million.

b. The PNBSec has no bankruptcy, receivership, or similar proceedings in the past three (3) years.

c. There are no material reclassification, merger, consolidation, or purchase/sale of a significant asset not in the ordinary course of business.

Relative to its competitors, the companyøs strength lies in the fact that it is backed up by PNB, a universal bank and considered one of the top commercial banks in the country today.

Inherent to all engaged in the stockbrokerage business, the company is exposed to risks like Operational Risk, Position Risk, Counterparty Risk and Large Exposure Risk. To address, identify, assess and manage the risks involved, the company submits monthly to the SEC the required Risk Based Capital Adequacy (RBCA) Report which essentially measures the brokerøs net liquid capital considering said risks. Further, the parentøs bank Risk Management Group is overseeing/ monitoring the Companyøs risk management / exposures.

PNB Forex, Inc. (õPFIö), a wholly-owned subsidiary of the Bank which was incorporated on 13 October 1994 as a trading company, was engaged in the buying and selling of foreign currencies in the spot market for its own account and on behalf of others. The company temporarily ceased its operations in foreign currency trading as of January 1, 2006. It derives 100% of its revenues from interest income earned from the cash/funds held by the company. On December 16, 2013, the PFIøs Board of Directors approved the dissolution of the company. Last March 17, 2014, the Office of the City Treasurer of Pasay City approved the company's application for retirement of business. The company is now applying for tax clearance with the BIR.

As of December 31, 2016, audited total assets and total equity of PFI is at ₱57.5 million and ₱56.8 million, respectively. For the year ended December 31, 2016, audited net loss is ₱7,574.00.

Bulawan Mining Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on March 12, 1985. It is authorized to explore and develop land for mining claims and sell and dispose such mining claims.

PNB Management and Development Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on February 6, 1989 primarily to own, acquire, hold, purchase, receive, sell, lease, exchange, mortgage, dispose of, manage, develop, improve, subdivide, or otherwise deal in real estate property, of any type and/or kind of an interest therein, as well as build, erect, construct, alter, maintain, or operate any subdivisions, buildings and/or improvements. It is also authorized to explore and develop land mining claims and to sell/dispose such mining claims.

Foreign Subsidiaries:

Allied Commercial Bank (õACBö), a 99.04% owned subsidiary of the PNB and formerly known as Xiamen Commercial Bank, was established in Xiamen in September 1993 as a foreign owned bank. It obtained its commercial banking license in July 1993 and opened for business in October 1993.

ACB maintains its head office in Xiamen, in Fujian Province, a southeastern commercial city of China. In 2003, ACB opened a branch in the southwestern city of Chongqing.

In April 2016, Chinaøs banking regulator, the China Banking Regulatory Commission (CBRC) approved ACBøs application to engage in foreign currency-denominated business for all types of clients and in CNY-denominated business for all clients except citizens within the territory of China. This means after compliance with a number of administrative processes, ACB shall be allowed to service the CNY denominated banking requirements of foreign nationals, foreign and Sino entities, in addition to the full foreign currency service license for all market sectors/segments. The last requirement prior to offering CNY denominated services formally would be the updating of the business license with the Fujian Administration for Industry and Commerce (FAIC). So far, still pending the final approval of FAIC.

Allied Banking Corporation (Hong Kong) Limited (õABCHKLö) is a private limited company incorporated in Hong Kong in 1978 and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. By virtue of the merger between PNB and ABC in February 2013, PNB now owns 51% of ABCHK. The registered office address is 1402 World-Wide House, 19 Des Voeux Road Central HK SAR.

It provides a full range of commercial banking services predominantly in Hong Kong, which include lending and trade financing, documentary credits, participation in loans syndications and other risks, deposit taking, money market and foreign exchange operations, money exchange, investment and general corporate services.

ABCHKL has one branch license and a wholly owned subsidiary (ñABCHKL Groupò). The subsidiary, ACR Nominees Limited, is a private limited company incorporated in Hong Kong which provides non-banking general services to its customers.

There were no significant changes in the nature of the ABCHKL Groupôs principal activities during the year.

PNB International Investment Corporation (ñPNB IICò), formerly Century Bank Holding Corporation, a wholly-owned subsidiary of the Bank, is a U.S. non-bank holding company incorporated in California on December 21, 1979. It changed its name to PNB International Investment Corporation on December 1, 1999.

PNB IIC owns PNB Remittance Centers, Inc. (ñPNB RCIò) which was incorporated in California on 19 October 1990. PNB RCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2016, PNB RCI has 17 branches in 5 states. PNB RCI owns PNB RCI Holding Company, Ltd. which was incorporated in California on August 18, 1999 and PNB Remittance Company, Nevada (ñPNB RCNò) which was incorporated in Nevada on June 12, 2009. PNB RCN is engaged in the business of transmitting money to the Philippines. PNB RCN has 1 branch located in Las Vegas. PNB RCI Holding Company, Ltd. is the holding company for PNB Remittance Company Canada (ñPNB RCCò). PNB RCC is also a money transfer company incorporated in Canada on April 26, 2000. PNB RCC has 7 branches in Canada as of year-end 2016.

PNB RCI is regulated by the U.S. Internal Revenue Service and the Department of Financial Institutions of the State of California and other state regulators of financial institutions while PNBRCN is regulated by the Nevada Department of Business and Industry ï Division of Financial Institutions.

PNB RCC is regulated by the Office of the Superintendent of Financial Institutions of Canada and Financial Transactions and Reports Analysis Centre of Canada.

PNB IIC does not actively compete for business, being only a holding company. PNB RCI, PNB RCN and PNB RCC have numerous competitors from local U.S. banks, Philippine bank affiliates doing business in North America, as well as other money transfer companies like Western Union, Money Gram, Lucky Money and LBC.

Philippine National Bank (Europe) Plc (ñPNB Europeò) was originally set up as a PNB London Branch in 1976. In 1997, it was converted as wholly-owned subsidiary bank of PNB, incorporated in the United Kingdom with a full banking license. It is also authorized to provide cross-border services to 19 member states of European Economic Area (ñEEAò). In 2007, PNB Europe opened its branch in Paris, France, where it is engaged in the remittance services. PNB Europe is regulated by the Financial Conduct Authority and authorized and regulated by the Prudential Regulation Authority. PNB Europe Paris branch is governed by the Banque de France.

In April 2014, Allied Bank Phils (UK) was merged with PNBE Plc.

PNB Global Remittance & Financial Company (HK) Limited (ñPNB Globalò)**,** a wholly-owned subsidiary of the Bank, is registered with the Registrar of Companies in Hong Kong. On July 1, 2010, PNB Global took the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. It now operates as a money lender and remittance company. As of December 31, 2016, it maintains seven offices in Hong Kong. Its remittance business is regulated by the Customs and Excise Department of Hong Kong.

Effective August 2012, PNB Global launched its tie-up arrangement with Western Union strengthening its cash pick-up services throughout the Philippines. This tie-up was mutually terminated on June 15, 2016.

Item 2. Directors and Executive Officers

Please refer to pages 11 to 37 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as at December 31, 2016 and 2015 and January 1, 2015, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three years in the period ended December 31, 2016 and a Summary of Significant Accounting Policies and other explanatory information, Notes to Financial Statements, Independent Auditorsô Report and the Statement of Managementǿs Responsibility are filed as part of the Bankǿs SEC 17-A Report for the year ended December 31, 2016.

Item 4. Information on Independent Accountant, Changes in Accounting Principles and Other Related Matters

A. Audit and Other Related Fees

The following are the engagement fees billed and paid for each of the last two fiscal years for the professional services rendered by the Bankǿs external auditor, SyCip Gorres Velayo and Co. (ñSGVò):

<u>2016</u>
Audit

- ₱14.174 million engagement fee for the audit of the Bankǿs Financial Statements as of December 31, 2016 (inclusive of out-of-pocket expenses (ñOPEò) but excluding Value Added Tax (ñVATò).

- ₱7.022 million engagement fee for the review of Financial Statements as of June 30, 2016 and engagement fee for the issuance of Comfort Letter related to the offering of PNB LTNCD Long Term Negotiable Certificates of Time Deposit (ñLTNCDò) in June 2016.

- ₱3.524 million engagement fee for the audit of the Bankǿs Financial Statements as of March 31, 2016 (inclusive of OPE but excluding VAT).

Other Related Fees

- ₱5.240 million engagement fee for PFRS 9 Diagnostics, Gap Analysis and Knowledge Transfer on the New Impairment Model.

<u>2015</u>
Audit

- ₱14.582 million engagement fee for the audit of the Bankǿs Financial Statements as of December 31, 2015 (inclusive of OPE but excluding VAT).

<u>2014</u>
Audit

- ₱12.802 million engagement fee for the audit of the Bankǿs Financial Statements as of December 31, 2014 (inclusive of OPE but excluding VAT).

- ₱6.350 million engagement fee for the review of Financial Statements as of June 30, 2014 and engagement fee for the issuance of Comfort Letter related to the offering of PNB LTNCD in June 2014.

There are no fees billed for the last three years for tax accounting performed by the Bankǿs external auditor.

The approval of audit engagement fees is based on the Bankøs existing Manual of Signing Authority.

B. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous year except for the following amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2016. Except as otherwise indicated, the changes in the accounting policies that did not have any significant impact on the financial position or performance of the Group follow:

- PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception* (Amendments)
- PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 1, *Disclosure Initiative (*Amendments)
- PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments)
- PAS 16 and PAS 41, *Agriculture: Bearer Plants (*Amendments)

Annual Improvements to PFRSs (2012-2014 cycle)

- PFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations – Changes in Methods of Disposal* (Amendments)
- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts* (Amendments)
- PFRS 7, *Applicability of the Amendments to PFRS to Condensed Interim Financial Statements* (Amendments)
- PAS 19, *Employee Benefits – regional market issue regarding discount rate* (Amendments)
- PAS 34, *Interim Financial Reporting – disclosure of information elsewhere in the interim financial report* (Amendments)

In 2016, the Parent Company adopted PAS 27, *Separate Financial Statements*, as amended, which provide entities an option to use the equity method to account for investments in subsidiaries, joint ventures, and associates in its separate financial statements following the guidelines provided by the BSP.

The Parent Company has previously accounted for its õInvestments in subsidiaries and an associateö at cost less impairment loss, if any, as set out in PAS 27, *Separate Financial Statements*. Under the equity method, the carrying value of õ*Investments in subsidiaries and an associate*ö will be increased or decreased to recognize the Parent Companyøs share in the profit or loss, as well as distributions received from the investee, after the date of acquisition. Adjustments to the carrying amount may also be necessary for changes in the Parent Companyøs proportionate interest in the investee arising from changes in the investeeøs other comprehensive income.

Additional statement of financial position as at January 1, 2015 is presented in the separate financial statements due to retrospective application of the change in accounting policy. The effects of retrospective restatement of items in the financial statements are detailed below:

	December 31, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Investments in subsidiaries and an associate	₱23,821,982	₱2,675,750	₱26,497,732
Deferred tax assets	1,031,948	(95,456)	936,492
Assets of a disposal group classified as held for sale	846,015	326,948	1,172,963
Surplus	22,219,098	2,580,260	24,799,358
Net unrealized loss on available-for-sale investments	(3,022,853)	(7,735)	(3,030,588)

Remeasurement losses on retirement plan	(2,326,283)	(37,932)	(2,364,215)
Accumulated translation adjustment	154,713	457,755	612,468
Reserves of a disposal group classified as held for sale	ī	(85,106)	(85,106)

	For the year ended December 31, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Miscellaneous income	₱1,759,155	(₱259,482)	₱1,499,673
Equity in net earnings of subsidiaries and an associate	ī	69,307	69,307
Provision for income tax	1,014,865	95,456	1,110,321
Net income from discontinued operations	ī	182,545	182,545
Other comprehensive income			
Share in changes in net unrealized gains on available-for-sale investments of subsidiaries and an associate	ī	51,906	51,906
Share in changes in accumulated translation adjustment of subsidiaries and an associate	ī	586,212	586,212
Share in changes in remeasurement gains on retirement plan of subsidiaries and an associate	ī	5,071	5,071

	January 1, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Investments in subsidiaries and an associate	₱24,102,612	₱2,452,245	₱26,554,857
Surplus	16,019,048	2,683,346	18,702,394
Net unrealized loss on available-for-sale investments	(2,276,501)	(59,641)	(2,336,142)
Remeasurement losses on retirement plan	(2,249,830)	(43,003)	(2,292,833)
Accumulated translation adjustment	68,603	(128,457)	(59,854)

	For the year ended December 31, 2014		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Miscellaneous income	₱1,419,591	(₱67,794)	₱1,351,797
Equity in net earnings of subsidiaries and an associate	ī	1,007,198	1,007,198
Other comprehensive income			
Share in changes in net unrealized gains on available-for-sale investments of subsidiaries and an associate	ī	121,295	121,295
Share in changes in accumulated translation adjustment of subsidiaries and an associate	ī	(194,234)	(194,234)
Share in changes in remeasurement gains on retirement plan of	ī	(27,530)	(27,530)

subsidiaries and an associate

C. Disagreements with Accountants

The Bank and its subsidiaries had no disagreement with its auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope procedure.

In compliance with SEC Rule 68, as amended, and BSP Circular 660, Series of 2009, we report no change to the appointed external auditor of the Bank for 2017. The Bank intends to re-appoint SGV as its external auditor for the year 2017, subject to the endorsement of the Board Audit and Compliance Committee, approval of the Board of Directors and appointment by the stockholders. Ms. Vicky B. Lee-Salas, SGVọs Leader for Market Group 5 and one of the more experienced audit partners in the banking industry, was the lead audit partner for the year 2016.

Item 5. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with PFRS.

Financial Condition

<u>2016 vs. 2015</u>

The Groupọs consolidated assets reached at ₱753.8 billion as of December 31, 2016, 10.9% or ₱74.1 billion higher compared to ₱679.7 billion reported as of December 31, 2015. Changes (more than 5%) in assets were registered in the following accounts:

- Due from BSP, Due from Other Banks and Interbank Loans Receivable also registered increases as of December 31, 2016, by ₱46.0 billion, ₱4.4 billion and ₱2.0 billion, respectively from ₱81.4 billion, ₱18.3 billion and ₱5.8 billion, respectively as of December 31, 2015. On the other hand, Cash and Other Cash Items decreased by ₱4.2 billion from ₱15.2 billion as of December 31, 2015.

- Loans and Receivables registered an increase at ₱428.0 billion or ₱62.3 billion higher than the ₱365.7 billion December 2015 level mainly due to loan releases in the current year to various corporate borrowers.

- Financial Assets at Fair Value Through Profit or Loss at ₱1.9 billion as of December 31, 2016 was lower by 57.8% or ₱2.6 billion from ₱4.5 billion in 2015 attributed mainly due to the sale of various investment securities.

- Securities Held Under Agreements to Resell as of December 31, 2016 of ₱2.0 billion which represents lending transactions of the Bank with the BSP is lower by ₱12.6 billion compared to the ₱14.6 billion as of December 31, 2015.

- Investment Properties increased by ₱3.1 billion from ₱13.2 billion as of December 31, 2015 to ₱16.3 billion as of December 31, 2016 due to the following transactions:

    - Reclassification of ₱3.1 billion Allied Bank Center from Property and Equipment
    - Reclassification of ₱2.0 billion of other bank properties
    - Disposal of ₱1.8 billion worth of foreclosed properties.
    - Reclassification of ₱0.6 billion to Loans and Receivables

- Property and Equipment decreased by ₱4.0 billion from ₱22.1 billion as of December 31, 2015 to ₱18.1 billion as of December 31, 2016 mainly due to the reclassification of certain properties to Investment Properties as discussed in previous paragraph.

- Asset held for distribution

  On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE under the following arrangements:

- Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of PNB Life Insurance Inc. (ñPNB LIIò) and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of ñAllianz PNB Life Insurance, Inc.ò;
- A 15-year distribution agreement which will provide Allianz exclusive access to the more than 670 branches nationwide of Parent Company.

This required the reclassification of the accounts of PNB Life in the December 31, 2015 Financial Statement as assets for distribution. The necessary regulatory approvals have been obtained and the above sale agreement was implemented on June 6, 2016.

- The ₱2.5 billion Equity Investments pertains to the remaining investment of the Bank in Allianz PNB Life Insurance, Inc. now accounted for as an Investment in Associate as of December 31, 2016.

- Intangible Assets , Deferred Tax Assets and Other Assets were higher by ₱0.1 billion, ₱0.3 billion and ₱0.3 billion from ₱2.5 billion to ₱2.6 billion, ₱1.2 billion to ₱1.5 billion and ₱6.8 billion to ₱7.1 billion, respectively.

Consolidated liabilities went up by 12.0% or ₱68.9 billion from ₱574.9 billion as of December 31, 2015 to ₱643.8 billion as of December 31, 2016. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱570.5 billion, ₱84.6 billion higher compared to its year-end 2015 level of ₱485.9 billion. Increases were registered in Demand, Savings and Time by ₱7.3 billion, ₱53.5 billion and by ₱23.8 billion, respectively.

- Bills and Acceptances Payable increased by ₱10.1 billion, from ₱25.8 billion to ₱35.9 billion, mainly accounted for by various borrowings from other banks.

- Financial liabilities at Fair value through profit or loss was higher at ₱0.2 billion as of December 31, 2016 from last yearõs ₱0.1 billion.

- Other Liabilities increased by ₱2.9 billion from ₱25.7 billion to ₱28.6 billion.

- Accrued Expenses decreased by ₱1.0 billion from ₱5.9 billion as of December 31, 2015 to ₱4.9 billion as of December 31, 2016.

- Subordinated Debt decreased from ₱10.0 billion as of December 31, 2015 to ₱3.5 billion as of December 31, 2016. On June 16, 2016, PNB exercised its Call Option on its ₱6.5 billion 6.75% Lower Tier 2 Unsecured Subordinated Notes.

- Decrease in Liabilities Held for Distribution was also attributed to sale of 51% equity in PNB Life as explained above under Assets Held for Distribution account.

Total equity accounts stood at ₱109.9 billion from ₱104.8 billion as of December 31, 2015, or higher by ₱5.2 billion attributed to current yearõs net income of ₱7.2 billion and decrease in Net Unrealized Loss on Available for Sale Investments of ₱0.5 billion, ₱0.3 billion in Accumulated Translation Adjustment partly offset by the declaration of ₱1.3 billion cash dividends in September 2016, decrease of ₱0.5 billion in remeasurement losses on retirement plan, decrease of ₱0.6 billion in Reserves of a Disposal Group Held for Distribution, ₱0.2 billion Share in Equity Adjustment of an Associate and decrease in Non-controlling interest by ₱0.4 billion

<u>2015 vs. 2014</u>

The Groupõs consolidated assets stood at ₱679.7 billion as of December 31, 2015, 8.7% or ₱54.3 billion higher compared to ₱625.4 billion total assets reported as of December 31, 2014. Changes (more than 5%) in assets were registered in the following accounts:

- Due from Other Banks registered an increase of ₱2.7 billion from ₱15.6 billion as of December 31, 2014. On the other hand, Due from BSP decreased by ₱24.4 billion from ₱105.8 billion as of December 31, 2014 due to lower Special Deposit Account placement in 2015. Interbank Loans Receivable also decreased by ₱1.9 billion from ₱7.7 billion as of December 31, 2014.

- Financial Assets at Fair Value Through Profit or Loss (ñFAFVPLò) were lower at ₱4.5 billion, from ₱17.4 billion as of December 31, 2014, mainly due to reclassification of the ₱13.8 billion ñSegregated Fund Assetsò of PNB Life from FAFVPL to ñAssets of Disposal Group Classified as Held for Saleò in line with the requirements of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations. This arose following an agreement entered into between the Bank and Allianz last December 2015 for Allianz SE to acquire 51% ownership in PNB Life. PFRS 5 requires assets and liabilities of PNB Life, together with the results of operations of a disposal group, to be classified separately from continuing operations.

- Securities Held Under Agreements to Resell as of December 31, 2015 of ₱14.6 billion represents lending transactions of the Bank with the BSP.

- Available for Sale Investments and Held to Maturity Investment were higher at ₱68.3 billion and ₱23.2 billion as of December 31, 2015, respectively, from their ₱63.1 billion and ₱23.0 billion levels as of December 31, 2014, an improvement of ₱5.2 billion and ₱0.2 billion, respectively, due mainly to acquisition of various investments securities.

- Loans and Receivables reached ₱365.7 billion, posting a significant growth of 15.7% or ₱49.4 billion compared to the ₱316.3 billion December 2014 level mainly due to loan releases implemented in the current year to various corporate borrowers.

- Investment Properties decreased by ₱7.0 billion from ₱20.2 billion as of December 31, 2014 to ₱13.2 billion as of December 31, 2015, due to the following transactions:

  - Sale of ₱1.0 billion Heritage Park lots
  - Reclassification of ₱2.0 billion foreclosed properties to Bank Premises
  - Reclassification of ₱1.2 billion properties entered into contractual agreements with real estate developers, and
  - Disposal of ₱2.8 billion worth of foreclosed properties.

- Property and Equipment increased by ₱2.5 billion from ₱19.6 billion as of December 31, 2014 to ₱22.1 billion as of December 31, 2015 mainly due to the reclassification of certain foreclosed properties as discussed in previous paragraph which shall be used as bank premises.

- Intangible assets grew by ₱0.1 billion from ₱2.3 billion as of December 31, 2014 to ₱2.4 billion as of December 31, 2015 mainly due to the recording of costs incurred in the ongoing upgrading of the core banking system of the Bank which is targeted for completion in 2017.

- Deferred Tax Assets was lower by ₱0.3 billion from ₱1.5 billion as of December 31, 2014 to ₱1.2 billion as of December 31, 2015.

- ñAssets of Disposal Group Classified as Held for Saleò amounting to ₱23.5 billion pertains to assets of PNB Life which was presented under a separate line item in the financial statements in view of the sale agreement entered into between the Bank and Allianz last December 2015 as earlier discussed.

- Other assets was higher at ₱6.8 billion, or by ₱1.6 billion from last yearôs level mainly due to reclassification of ₱1.2 billion properties entered into contractual agreements with real estate developers from Investment Properties to Other Assets.

Consolidated liabilities went up by ₱48.5 billion or 9.2% from its ₱526.4 billion level as of December 31, 2014 to ₱574.9 billion as of December 31, 2015. Major changes in liability accounts were as follows:

- Financial liabilities at Fair value through profit or loss declined from ₱10.9 billion as of December 31, 2014 to ₱0.1 billion this year mainly due to reclassification of the ₱10.8 billion ñSegregated Fund Liabilitiesò of PNB Life from FLFVPL to ñLiabilities of Disposal Group Classified as Held for Saleò in line with the sale agreement with Allianz.

- Deposit liabilities totaled ₱485.9 billion, ₱38.3 billion higher compared to its year-end 2014 level of ₱447.6 billion. Increases were registered in Demand by ₱8.4 billion, Savings by ₱22.2 billion and Time deposits by ₱7.7 billion.

- Bills and Acceptances Payable increased by ₱6.7 billion, from ₱19.1 billion to ₱25.8 billion, mainly accounted for by various borrowings from other banks. Accrued Expenses Payable also increased from ₱5.4 billion to ₱5.9 billion as of December 31, 2015.

- ñLiabilities of Disposal Group Classified as Held for Saleò amounting to ₱21.5 billion pertains to liabilities of PNB Life which was presented under a separate liability line item also in view of the sale agreement with Allianz SE.

- Income Tax Payable increased by ₱49 million from ₱85 million to ₱134 million.

- Reduction of ₱7.7 billion in other liabilities was also attributed to reclassification of certain other liability accounts of PNB Life under a separate line item in the balance sheet as held for sale.

Total equity accounts now stood at ₱104.8 billion from ₱99.1 billion as of December 31, 2014, or an improvement of ₱5.7 billion mainly attributed to the following:

- Current yearôs net income of ₱6.3 billion
- Additional translation gain pertaining to equity investments in foreign subsidiaries of ₱0.7 billion
- ₱0.6 billion reserves of a disposal group held for sale pertaining to other comprehensive income of PNB Life presented under a separate line item in equity

These were partly offset by additional unrealized losses on mark to market of Available for sale investments of ₱1.4 billion.

2014 vs. 2013

The Groupôs consolidated assets reached ₱625.4 billion as of December 31, 2014, higher by ₱9.1 billion compared to ₱616.3 billion total assets reported by the Bank as of December 31, 2013. Changes (more than 5%) in assets were registered in the following accounts:

- Loans and Receivables (L&R) expanded to ₱316.3 billion in December 2014, ₱42.0 billion or 15.3% higher as compared to its December 2013 level of ₱274.3 billion mainly due to loan releases implemented in the current year to various corporate borrowers.

- Financial Assets at Fair Value Through Profit or Loss at ₱17.4 billion grew by 48.7% or ₱5.7 billion from ₱11.7 billion attributed mainly to purchases of various investment securities and increase in segregated fund assets.

- Interbank Loans Receivable was at ₱7.7 billion as of December 31, 2014, a decrease of ₱0.7 billion from ₱8.4 billion as of December 31, 2013 due mainly to maturing interbank lending transactions to various banks.

- Available for Sale Investments went down to ₱63.1 billion as of December 31, 2014, ₱17.2 billion lower than the ₱80.3 billion level as of December 31, 2013 attributable mainly to the reclassification of ₱18.3 billion investment securities to Held to Maturity Investments two years after the sale of a significant amount of Held to Maturity Securities in October 2011. Held to Maturity Investments now stood at ₱23.0 billion.

- Due from BSP decreased by ₱47.4 billion from ₱153.2 billion to ₱105.8 billion accounted for by Special Deposit Accounts which dropped by ₱51.5 billion to fund various loan releases. Cash and

Other Cash Items increased by ₱2.8 billion from ₱11.8 billion to ₱14.6 billion. Due from Other Banks went up by ₱0.7 billion from ₱14.9 billion to ₱15.6 billion.

- Investment Properties decreased by ₱1.2 billion from ₱21.5 billion to ₱20.3 billion due to disposal of foreclosed properties

- Intangible assets were lower at ₱2.3 billion in view of the amortization of merger-related core deposits and customer relations intangibles.

- Other assets and Deferred Tax Assets were higher by ₱1.8 billion and ₱0.2 billion from ₱3.4 billion to ₱5.2 billion and from ₱1.3 billion to ₱1.5 billion, respectively.

Consolidated liabilities decreased by ₱7.5 billion from ₱533.9 billion as of December 31, 2013 to ₱526.4 billion as of December 31, 2014. Major changes in liability accounts were as follows:

- Deposit Liabilities was lower by ₱14.8 billion from ₱462.4 billion to ₱447.6 billion. Demand deposits declined by ₱23.8 billion. The decline in deposits was due to a shift of funds by depositors to the stock rights offer of the Bank in the 1st quarter of this year. ₱6.75 billion LTNCD were redeemed in March and October 2014.

- Financial liabilities at Fair value through profit or loss was higher at ₱10.9 billion from last yearǒs ₱8.1 billion attributed to the increase in segregated fund liabilities of PNB Life.

- Bills and Acceptances Payable increased by ₱5.9 billion from ₱13.2 billion to ₱19.1 billion accounted for by interbank borrowings under repurchase agreement with foreign banks. Income Tax Payable increased by ₱38 million from ₱48 million to ₱86 million.

Total equity accounts improved by ₱16.8 billion, from ₱82.3 billion as of December 31, 2013 to a high of ₱99.1 billion as of December 31, 2014 on account of significant increases attributed to the following:

- ₱11.6 billion proceeds from the issuance of 162.9 million common shares in line with the stock rights offering in February 2014

- ₱5.5 billion net income for the twelve months period ended December 31, 2014

- ₱1.2 billion increase in net unrealized gain/(loss) on AFS adjustments and ₱0.2 billion increase in non-controlling interests.

Offset by the ₱1.0 billion downward adjustment in remeasurement losses on Retirement Plan, ₱0.4 billion decline in FX translation.

Results of Operations

2016 vs 2015

- For the year ended December 31, 2016, the Bankǒs consolidated net income stood at ₱7.2 billion, ₱0.9 billion higher compared to the ₱6.3 billion net income for the same period last year.

- Net interest income totaled ₱19.6 billion, higher by 10.6% or ₱1.9 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio and investment securities which accounted for ₱2.5 billion and ₱0.3 billion increase in interest income, respectively, partly offset by the decline in income from deposits with banks by ₱0.2 billion. Total interest income was up by ₱2.6 billion from ₱21.7 billion to ₱24.3 billion. Total interest expense however, was also higher at ₱4.8 billion or by ₱0.8 billion from ₱4.0 billion last year.

  Other income significantly increased to ₱8.6 billion from ₱5.1 billion compared to same period last year mainly due to the ₱0.9 billion gains from sale of foreclosed assets and from ₱0.8 billion, ₱0.3 billion and ₱1.5 billion increases in the Trading and Investment Securities gains, Foreign exchange gains and Miscellaneous Income, respectively. Increase in Miscellaneous income was due to the ₱1.6 billion gain on sale of the Bankós 51% interest in PNB Life to Allianz, one of the largest global insurance companies.

- Net service fees and commission income and net insurance premium were at ₱2.7 billion and ₱0.3 billion, respectively, for the year ended December 31, 2016.

- Administrative and other operating expenses amounted to ₱23.1 billion for the year ended December 31, 2016, ₱4.3 billion higher compared to the same period last year. Increases were registered in provision for impairment, credit and other losses of ₱2.7 billion mainly due to reversal of ₱1.0 billion in 2015 of provision for possible liability in view of court ruling favorable to the Bank and increases and additional ₱1.7 billion in provision for impairment and credit losses. Compensation and fringe benefits, Taxes and Licenses and Miscellaneous Expenses also increased by ₱1.6 billion.

- Income from discontinued operations in the current year pertains to the net income realized from the sale of 51% interest in PNB Life implemented in June 2016.

- Total Comprehensive Income for the year ended December 31, 2016 amounted to ₱6.7 billion, ₱0.5 billion higher compared to the ₱6.2 billion for the same period last year mainly due to the increase in net income of ₱0.6 billion, net unrealized gain on Available for Sale Securities of ₱0.6 billion partly offset by decreases in remeasurement gains on retirement plan of ₱0.4 billion, translation adjustment by ₱0.4 billion, share in changes in net unrealized gains and (losses) on available for sale investments of subsidiaries and an associate ₱0.2 billion and ₱0.1 billion in non-controlling interests.

<u>2015 vs 2014</u>

- For the year ended December 31, 2015, the Bank recorded a net income of ₱6.3 billion, ₱0.8 billion higher compared to the ₱5.5 billion net income for the same period last year.

- Net interest income totaled ₱17.7 billion, higher by ₱1.2 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio which accounted for ₱2.0 billion increase in interest income partly offset by the decline in income from deposits with banks by ₱1.1 billion. Total interest income was up by ₱1.6 billion from ₱20.1 billion to ₱21.7 billion. Total interest expense however, was slightly higher at ₱4.0 billion or by ₱0.4 billion from ₱3.6 billion last year, resulting to improvement in Net Interest Margin.

- Other income this year declined to ₱5.1 billion from ₱6.2 billion last year mainly due to the ₱0.7 billion trading gains recognized last year on the sale of a minority equity holdings and the continued reduction in treasury related income in the current year. The decline in other income was partly offset by growth in gains from sale of foreclosed assets of ₱0.1 billion in the current year.

- Net service fees and commission income and net insurance premium were at ₱3.6 billion and ₱0.1 billion, respectively, for the year ended December 31, 2015.

- Administrative and other operating expenses was slightly lower this year at ₱18.9 billion compared to ₱19.2 billion last year. The reduction was attributed to lower provisions this year of ₱0.6 billion compared to ₱2.3 billion in 2014 mainly due to a reversal this year of provision on the NSC case (refer to Note 35 of the AFS). Compensation and Fringe Benefits was higher by ₱0.8 billion. Miscellaneous expense increased by ₱0.6 billion in 2015.

- Provision for income tax this year was higher at ₱1.6 billion compared to ₱1.4 billion last year in view of higher taxable income in the current year.

- Net Income from Discontinuing Operations of ₱0.4 billion pertains to net income of PNB Life which was presented under a separate line item in the FS in line with the sale agreement with Allianz.

- Total Comprehensive Income for December 31, 2015 amounted to ₱6.2 billion, ₱0.8 billion higher compared to the ₱5.4 billion for the same period last year. Improvement in OCI mainly came from higher net income and accumulated translation adjustments in the current year partly offset by unrealized losses on AFS investments.

2014 vs. 2013

- Consolidated net income reached ₱5.5 billion for the twelve months ended December 31, 2014, an improvement of ₱0.3 billion compared with the ₱5.2 billion net income reported for the same period last year.

- Net interest income for the year ended 2014 at ₱16.5 billion went up significantly by ₱3.0 billion compared to ₱13.5 billion in 2013 as interest income posted an increase of ₱1.9 billion at ₱20.1 billion vs ₱18.2 billion primarily accounted for by interest on loans and receivables which increased by ₱2.1 billion, driven by significant expansion in the loan portfolio. On the other hand, interest expense which amounted to ₱4.7 billion last year dropped by ₱1.1 billion to ₱3.6 billion as the Bank continued to undertake its liability management exercise by raising long term deposits at lower interest rates. In March 2014, PNB redeemed ₱3.25 billion worth of LTNCDs with a coupon rate of 6.50% and in October 2014 likewise redeemed ₱3.5 billion worth of LTNCDs with a coupon rate of 7% issued by the ABC. These funds were replaced with an issuance of ₱7.0 billion worth of LTNCDs with a coupon rate of 4.125% which will mature in June 2020. Furthermore, interest on borrowings also declined as a result of the redemption of unsecured subordinated debts totaling ₱10.5 billion in 2013 (₱4.5 billion, 7.13% redeemed in March 2013 and ₱6.0 billion, 8.5% redeemed in June 2013).

- Fee-based and other income decreased by ₱1.6 billion to ₱6.2 billion from ₱7.8 billion for the same period last year. The decrease was attributed to lower gains from Trading and Investment Securities which declined by ₱3.3 billion, partly offset by the ₱0.1 billion, ₱0.9 billion and ₱0.7 billion increases in Foreign Exchange Gains, Net gain on sale or exchange of assets and Miscellaneous Income, respectively.

- Net service fees and commission income and net insurance premium were at ₱2.9 billion and ₱0.3 billion, respectively, for the period ended December 31, 2014.

- Administrative and other operating expenses totaled ₱19.2 billion for the year ended December 31, 2014, ₱2.3 billion more than last year's ₱16.9 billion. Increases were registered in Compensation and Fringe Benefits by ₱1.5 billion partly due to implementation of the 2014 Collective Bargaining Agreement effective July 2014. Provision for impairment and credit losses also increased by ₱1.5 billion to ₱2.3 billion from ₱0.8 billion last year. Partly offset by ₱0.2 billion decreases in depreciation and amortization and ₱0.5 billion miscellaneous expenses.

- Total Comprehensive Income for the twelve months period ended December 31, 2014 amounted to ₱5.4 billion, ₱3.8 billion higher compared to the ₱1.6 billion for the same period last year. Current yearôs comprehensive income came mainly from the net income totaling ₱5.5 billion and net unrealized gain on available-for-sale securities by ₱1.2 billion, offset by ₱0.4 billion in accumulated translation adjustments, ₱1.0 billion re-measurement losses on retirement plan taken up in the current year.

Key Performance Indicators

- Capital Adequacy/Capital Management

  The Parent Companyôs Capital Management (Sub-Committee of the Asset/Liability Committee) has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

  The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bankĝs strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business

- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the bank.

- Report to the ALCO the Bankĝs capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis.

- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bankĝs capital contingency plan, if needed.

➢ The Sub-Committee will evaluate and endorse to the Board the options to improve the Bankĝs capital adequacy as provided for in the Capital Contingency Plan

➢ In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.

- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bankĝs ICAAP shall meet the minimum regulatory requirement as well as the Bankĝs internal thresholds.

➢ The Sub-Committee shall determine the Bankĝs internal thresholds and shall endorse same to the Board ICAAP Steering Committee / Board.

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Companyĝs compliance with regulatory requirements and ratios is based on the amount of the Parent Companyĝs ñunimpaired capitalò (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

a. Common Equity Tier 1 ï must be at least 6.0% of risk weighted assets at all time;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

a. Common equity Tier 1 capital consists of 1) Paid up common stock that meet the eligibility criteria, b) Common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, Deposits for common stock subscription, Retained earnings, Undivided profits, other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation), and minority interest on subsidiary banks which are less than wholly-owned

b. Additional Tier 1 capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines.
c. Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) Deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down to absorb losses during period of financial and economic stress.

The Groupôs consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 16.65%, 19.24% and 20.60% as of December 31, 2016, 2015 and 2014, respectively, improving and well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2016, 2015 and 2014:

CAPITAL ADEQUACY RATIO

(Amounts in Million)

	CONSOLIDATED			PARENT		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
A. Tier 1 Capital	**104,103.597**	**97,272.252**	**93,899.128**	**101,545.136**	**94,044.294**	**90,782.607**
A.1 Common Equity Tier 1 (CET1) Capital	**104,103.597**	**97,272.252**	**93,899.128**	**101,545.136**	**94,044.294**	**90,782.607**
Paid-up common stock	49,965.587	49,965.587	49,965.587	49,965.587	49,965.587	49,965.587
Common stock dividends distributable	0.000	0.000	0.000	0.000	0.000	0.000
Additional paid-in capital 1/	31,331.251	31,331.251	31,331.251	31,331.251	31,331.251	31,331.251
Deposit for common stock subscription	0.000	0.000	0.000	0.000	0.000	0.000
Retained earnings	24,866.360	18,277.578	13,368.528	25,215.142	17,799.075	12,689.560
Undivided profits 2/	0.000	0.000	0.000	0.000	0.000	0.000
Other comprehensive income	(4,634.165)	(4,720.666)	(3,469.641)	(4,966.844)	(5,051.619)	(3,203.791)
Minority interest in subsidiary banks which are less than wholly-owned	2,574.564	2,418.502	2,703.403	0.000	0.000	0.000
A.2 Regulatory Adjustments to CET1 Capital	24,454.278	22,978.468	22,391.624	49,874.807	47,596.437	45,931.470
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	2.583	1.515	1.906	2.583	1.515	1.906
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	2,014.333	1,958.667	1,575.000	2,014.333	1,878.667	1,575.000
Deferred tax assets 9/	4,350.895	3,478.712	3,810.979	4,006.138	3,257.313	3,567.215
Goodwill 10/	13,515.765	13,515.765	13,515.765	13,515.765	13,515.765	13,515.765
Other intangible assets 11/	1,424.055	1,670.277	2,033.313	1,333.201	1,573.764	1,938.996
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable) 13/	0.000	0.000	0.000	25,678.974	25,141.007	24,066.287
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable) 13/	281.443	2,351.483	1,452.612	458.609	2,226.357	1,264.252
Significant minority investments (10%-50% of of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases) 13/	2,863.271	0.000	0.000	2,863.271	0.000	0.000
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933	1.933	1.933	1.933	1.933	1.933
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0.000	0.116	0.116	0.000	0.116	0.116
A.3 TOTAL COMMON EQUITY TIER 1 CAPITAL (A.1 minus A.2)	79,649.319	74,293.784	71,507.504	51,670.329	46,447.857	44,851.137
A.4 Additional Tier 1 (AT1)	0.000	0.000	0.000	0.000	0.000	0.000
A.5 Regulatory Adjustments to Additional Tier 1 (AT1) Capital	0.000	0.000	0.000	0.000	0.000	0.000
A.6 TOTAL ADDITIONAL TIER 1 CAPITAL (A.4 minus A.5)	0.000	0.000	0.000	0.000	0.000	0.000
A.7 TOTAL TIER 1 CAPITAL (Sum of A.3 and A.6)	79,649.319	74,293.784	71,507.504	51,670.329	46,447.857	44,851.137
B. Tier 2 (T2) Capital						
B.1 Tier 2 (T2) Capital	4,308.027	13,763.244	13,040.320	3,866.446	13,417.009	12,833.101
Instruments issued by the bank that are eligible as Tier 2 capital (**Unsecured Subordinated Debt - Eligible until 31 December 2015 as per BSP Memorandum No. M2013-008 dated 05 March 2013)**	0.000	9,986.427	9,970.136	0.000	9,986.427	9,969.498
Appraisal Increment Reserve, Bank Premises auth. By MB	291.725	291.725	291.725	291.725	291.725	291.725
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	4,016.302	3,485.092	2,778.459	3,574.721	3,138.857	2,571.878
B.2 Regulatory Adjustments to Tier 2 capital	0.000	0.000	0.000	0.000	0.000	0.000
B.3 TOTAL TIER 2 CAPITAL	4,308.027	13,763.244	13,040.320	3,866.446	13,417.009	12,833.101
TOTAL QUALIFYING CAPITAL	**83,957.346**	**88,057.028**	**84,547.824**	**55,536.775**	**59,864.866**	**57,684.238**

The risk-weighted assets of the Group and Parent Company as of Year Ending 2016, 2015, and 2014 are as follows:

Risk-weighted on Balance sheet assets:	446,101.620	405,219.194	359,881.507	397,730.498	366,857.832	329,029.139
20%	13,482.401	7,358.947	3,948.319	11,676.125	6,677.082	3,845.662
50%	24,819.389	16,841.447	15,558.027	22,328.759	15,459.492	13,799.102
75%	18,761.908	16,119.608	14,282.083	18,039.059	14,063.362	13,705.209
100%	371,161.410	345,521.954	297,726.532	330,044.869	312,532.594	270,610.938
150%	17,876.512	19,377.239	28,366.547	15,641.686	18,125.303	27,068.228
Off-Balance sheet assets:	13,052.998	7,669.446	5,914.306	12,953.775	7,554.533	5,750.879
20%	0.000	127.791	64.024	0.000	127.791	64.024
50%	31.543	4,577.949	1,671.841	31.543	4,577.949	1,671.841
75%	173.496	344.806	442.532	173.496	344.807	442.532
100%	12,847.959	2,618.900	3,735.909	12,748.736	2,503.986	3,572.482
150%	0.000	0.000	0.000	0.000	0.000	0.000
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-	1,622.161	1,304.542	1,497.381	1,622.161	1,304.541	1,497.381
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	498.213	499.469	275.678	471.136	471.965	254.248
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	0.000	0.000	0.000	0.000	0.000	0.000
Total Risk-Weighted Securitization Exposures	0.000	0.000	0.000	0.000	0.000	0.000
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	0.000	0.000	0.000	0.000	0.000	0.000
Total Credit Risk Weighted Assets	461,274.992	414,692.651	367,568.872	412,777.570	376,188.871	336,531.647
Market Risk Weighted Assets	2,752.606	3,428.025	4,532.456	2,703.429	3,067.984	4,233.579
Operational Risk-Weighted Assets	40,073.477	39,541.943	38,234.751	35,831.511	35,791.717	34,261.055
Total Risk Weighted Assets	504,101.075	457,662.619	410,336.079	451,312.510	415,048.571	375,026.281
Capital Ratios						
Common Equity Tier 1 Ratio	**15.80%**	**16.23%**	**17.43%**	**11.45%**	**11.19%**	**11.96%**
Capital Conservation Buffer	**9.80%**	**10.23%**	**11.43%**	**5.45%**	**5.19%**	**5.96%**
Tier 1 Capital Ratio	**15.80%**	**16.23%**	**17.43%**	**11.45%**	**11.19%**	**11.96%**
Total Capital Adequacy Ratio	**16.65%**	**19.24%**	**20.60%**	**12.31%**	**14.42%**	**15.38%**

- Asset Quality

  The Groupṡ non-performing loans (gross of allowance for impairment losses) decreased to ₱8.8 billion as of December 31, 2016 compared to ₱9.0 billion as of December 31, 2015. NPL ratios of the Bank based on BSP guidelines, net of valuation reserves is better than industry average at 0.18% as at December 31, 2016, compared to 0.25% at end of 2015. Gross NPL ratio is at 2.31% at end of 2016 and 2.61% at end of 2015.

- Profitability

	Year Ended	
	12/31/16	12/31/15
Return on equity (ROE)[1/]	6.7%	6.2%
Return on assets(ROA)[2/]	1.0%	1.0%
Net interest margin(NIM)[3/]	3.2%	3.2%

[1/] Net income divided by average total equity for the period indicated
[2/] Net income divided by average total assets for the period indicated
[3/] Net interest income divided by average interest-earning assets

- Liquidity

  The ratio of liquid assets to total assets as of December 31, 2016 was 31.8% compared to 30.6% as of December 31, 2015. Ratio of current assets to current liabilities was at 64.0% as of 31 December 2016 compared to 66.8% as of December 31, 2015.

- Cost Efficiency

  The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 63.0% for the year ended December 2016 compared to 69.3% for the same period last year.

Known trends, demands, commitments, events and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Bankṡ liquidity.

Events that will trigger direct or contingent financial obligation

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements, including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such disclosures would prejudice the Groupṡ position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Material off-balance sheet transactions, arrangement or obligation

The following is a summary of various commitments and contingent liabilities of the Group as of December 31, 2016 and 2015 at their equivalent peso contractual amounts:

	12/31/2016	12/31/2015
	(In Thousand Pesos)	
Trust department accounts	**₱75,238,152**	₱78,708,656
Derivative forwards	**40,000,448**	32,378,255
Standby letters of credit	**26,232,306**	22,031,604
Deficiency claims receivable	**22,337,807**	21,562,415
Credit card lines	**27,018,318**	15,725,684
Interest rate swaps	**33,610,720**	9,317,880
Derivative spots	**2,358,455**	5,526,044
Inward bills for collection	**1,001,375**	356,152
Outward bills for collection	**282,212**	320,428
Other contingent accounts	**2,073,225**	298,336
Confirmed export letters of credit	**100,461**	88,409
Unused commercial letters of credit	**50,062**	48,957
Shipping guarantees issued	**13,716**	10,033
Items held as collateral	**1,237**	42
Other credit commitments	**–**	974,377

Capital Expenditures

The Bank has committed on investing in the upgrade plan of its Systematics core banking system running on the IBM z-series mainframe, as well as on a new branch banking system. This ongoing top priority enterprise-wide project is expected to be completed in 2017 and requires major capital expenditures. For this project and other medium scale projects requiring information technology solutions, expected sources of funds will come from the sale of acquired assets and funds generated from the Bank's operations.

Significant Elements of Income or Loss

Significant elements of the Bankǿs revenues consist mainly of net interest margin, service fees, net trading gains and gains from disposal of reacquired properties while the Bankǿs expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for probable losses. Please refer to the discussions on the results of operations for further details.

Seasonal Aspects

There was no seasonal aspect that had material effect on the Bankǿs financial condition or results of operations.

Item 6. Market Price, Holders and Dividends

A. Market Price of and Dividends on Registrant’s Common Equity and Related Stockholders

1. Market Price

The PNB common shares are listed and traded at the PSE. The high and low sales prices of PNB shares for each quarter for the last two fiscal years are:

	2015		2016		2017	
	High	Low	High	Low	High	Low
Jan -Mar	87.50	76.70	53.90	43.00	58.05	57.20
Apr ï Jun	79.00	62.00	59.85	46.45		
Jul ï Sep	68.90	49.50	64.75	56.35		
Oct - Dec	54.50	49.60	58.90	54.15		

The trading price of each PNB common share as of March 1, 2017 was ₱57.00.

2. Holders

The Bank has 29,844 stockholders as of January 31, 2017. The top twenty holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Non-Filipino)	111,091,751	8.8934610722
2	Key Landmark Investments, Limited	109,115,864	8.7358212437
3	PCD Nominee Corporation (Filipino)	106,017,241	8.4872206741
4	Solar Holdings Corporation	67,148,224	5.3755576884
5	Caravan Holdings Corporation	67,148,224	5.3755576884
6	True Success Profits Limited	67,148,224	5.3755576884
7	Prima Equities & Investments Corporation	58,754,696	4.7036129774
8	Leadway Holdings, Incorporated	53,470,262	4.2805670928
9	Infinity Equities, Incorporated	50,361,168	4.0316682663
10	Pioneer Holdings Equities, Inc.	28,044,239	2.2450843163
11	Multiple Star Holdings Corporation	25,214,730	2.0185676946
12	Donfar Management Limited	25,173,588	2.0152740677
13	Uttermost Success, Limited	24,752,272	1.9815455738
14	Mavelstone International Limited	24,213,463	1.9384111662
15	Kenrock Holdings Corporation	21,301,405	1.7052860761
16	Fil-Care Holdings, Incorporated	20,836,937	1.6681030446
17	Fairlink Holdings Corporation	20,637,854	1.6521654354
18	Purple Crystal Holdings, Inc.	19,980,373	1.5995307292
19	Kentron Holdings & Equities Corporation	19,944,760	1.5966797270
20	Fragile Touch Investment, Limited	18,581,537	1.4875467754

3. Dividends

The Bankôs ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bankôs declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the BSP as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following general policy on the declaration of dividends:

> *"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank."*

In 2016, the Bank declared a cash dividend of ₱1.00 per share or a total of ₱1,249,139,678.00, taken out of its unrestricted Retained Earnings as of March 31, 2016, to all stockholders of record as of August 19, 2016.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On August 4, 2015, the SEC issued the Certificate of Permit to Offer Securities for Sale authorizing the sale of 423,962,500 common shares of the Bank with a par value of ₱40.00 per share. The Certificate covers the shares to be issued to the shareholders of ABC pursuant to the merger of the Bank and ABC, which was approved by the SEC on January 17, 2013. The application for listing of the said shares is pending with the PSE.

5. Computation of Public Ownership

As of December 31, 2016, PNBôs public ownership level is 21.03%, which is above the minimum percentage of ten percent (10%) for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB's Securities

- As of January 31, 2017, PNBôs authorized capital stock amounted to ₱70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of ₱40.00 per share.

- The total number of common shares outstanding as of January 31, 2017 is 1,249,139,678. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC, subject of the Registration Statement approved by the SEC and the application for listing filed with the PSE.

- As of January 31, 2017, a total of 1,137,791,288 common shares (or 91.09%) are held by Filipino-Private Stockholders while the remaining 111,348,390 common shares (or 8.91%) are held by Foreign-Private Stockholders. PNB has an outstanding capital of ₱49,965,587,120.00.

- The Bankôs stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bankôs unissued capital stock or in support of an increase in capital (*Article Seven of PNB's Amended Articles of Incorporation*).

- At each meeting of the stockholders, every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors (*Section 4.9 of PNB's Amended By-Laws*).

- Section 24 of the Corporation Code of the Philippines provides that ñ*x x x every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation x x x and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal x x x*.ò

Item 7. Discussion on Compliance with Leading Practices on Corporate Governance

Please refer to pages 41 to 47 of the Information Statement.

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders a copy of the Annual Report on SEC Form 17-A. Such requests should be directed to the Office of the Corporate Secretary, Philippine National Bank, 9/F PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

Office of the Corporate Secretary
Direct Line: 536-0540
Trunk Lines: 891-6040 to 70
Local: 4106

PNB
you first

SECRETARY'S CERTIFICATE

I, **MAILA KATRINA Y. ILARDE**, Corporate Secretary of the Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, after having been sworn in accordance with law, do hereby certify and state that:

1. The following are the incumbent directors of PNB:

   - Ms. Florencia G. Tarriela
   - Mr. Felix Enrico R. Alfiler
   - Mr. Florido P. Casuela
   - Mr. Leonilo G. Coronel
   - Mr. Edgar A. Cua
   - Mr. Reynaldo A. Maclang
   - Mr. Estelito P. Mendoza
   - Mr. Christopher J. Nelson
   - Mr. Federico C. Pascual
   - Mr. Cecilio K. Pedro
   - Mr. Washington Z. Sycip
   - Ms. Carmen K. Tan
   - Mr. Lucio C. Tan
   - Mr. Lucio K. Tan, Jr.
   - Mr. Michael G. Tan

2. To the best of my knowledge, none of the above-mentioned directors are appointed officials or employees of any agency of the government of the Philippines.

IN WITNESS WHEREOF, I have hereunto affixed my signature this March 2, 2017 in Pasay City.

MAILA KATRINA Y. ILARDE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 0 2 2017 in Pasay City, affiant exhibited to me her TIN No. 260-890-405.

Doc. No. 194;
Page No. 40;
Book No. 15;
Series of 2017.

ATTY. MICHELLE A. PAHATI
Commission No. 16-09; Roll No. 45737
Notary Public for Pasay City until 12/31/17
9th Floor PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
PTR No. 5299979/01-17/Pasay City
IBP Member No. 013550/Manila II

PNB

You first.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine National Bank is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years 2016, 2015 and 2014 ended December 31, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Philippine National Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Philippine National Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Philippine National Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Philippine National Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

FLORENCIA G. TARRIELA
Chairman of the Board

REYNALDO A. MACLANG
President

NELSON C. REYES
Executive Vice President & Chief Financial Officer

MAR 09 2017

SUBSCRIBED AND SWORN to before me this ___ day of March 2017 affiants exhibiting to me their Passport No., as follows:

Names	Passport No.	Date of Issue	Place of Issue
Florencia G. Tarriela	EB6620757	October 23, 2012	DFA Manila
Reynaldo Maclang	EC0299319	February 14, 2014	DFA Manila
Nelson C. Reyes	EC3050873	December 20, 2014	DFA NCR South

Doc. No. 213
Page No. 44
Book No. XII
Series of 2017

Notary Public

ATTY. MARIA ROCELIZA T. RAMIREZ
Commission No. 16-10; Roll No. 45158
Notary Public for Pasay City until 12-31-17
9th Floor PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
PTR No. 5284604/ 01-06-17
IBP No. 1060895/ 01-10-2017/RSM

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300,
Philippines

T. (632) 526-3131 to 70 / 891-6040 to 70
P.O. Box 1844 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 0 9 6 - 0 0 5 5 5 5

C O M P A N Y   N A M E

P H I L I P P I N E   N A T I O N A L   B A N K   A N D   S U B S I D I A R I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

P N B   F i n a n c i a l   C e n t e r ,   P r e s i d e n t   D i o s d a d o   M a c a p a g a l   B o u l e v a r d ,   P a s a y   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	04/25	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Nelson C. Reyes		891-6040 to 70	

CONTACT PERSON's ADDRESS

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City, Metro Manila

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2016 and 2015 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the Audit of the Consolidated and Parent Company Financial Statements

Adequacy of allowance for credit losses on loans and receivables

The Group and the Parent Company's loans and receivables are significant as they represent 56.79% and 53.15% of the total assets of the Group and the Parent Company, respectively. The Group determines the allowance for credit losses on individual basis for individually significant loans and receivables, and collectively, for loans and receivables that are not individually significant such as consumer loans and credit card receivables. We considered the impairment of loans and receivables as a key audit matter because it involves significant management judgment in determining the allowance for credit losses. The determination of the recoverable amount of loans receivables involves various assumptions and factors including the financial condition of the borrower, timing of expected future cash flows, probability of collections, observable market prices and expected net selling prices of the collateral. The disclosures related to allowance for credit losses on loans and receivables are included in Notes 3 and 16 of the financial statements.

Audit response

We obtained an understanding of the specific and collective impairment process and tested the related controls over impairment data and calculations. For loans and receivables subjected to specific impairment, we obtained an understanding of the basis for measuring the impairment. We selected samples of individually impaired loans and inquired of the latest developments about the borrowers. We tested the key inputs to the impairment calculation by assessing whether the forecasted cash flows are based on the borrower's current financial condition, inspecting recent appraisal reports to determine the fair value of collateral held and checking whether the discount rates used are based on the original effective interest rate or the last repriced rate. For loans and receivables subjected to collective impairment, we tested inputs in the historical loss and net flow rate models such as, for consumer loans, agreeing the past due aging reports per consumer loan product type while for business loans, agreeing the groupings of business loans based on their internal credit risk ratings to the Group's records and subsidiary ledgers. We examined whether the assumptions and parameters in the collective impairment calculation, such as historical losses of default and recovery rate, are based on historical data. We also reperformed the calculation of historical loss rates.

Assessment of goodwill

As at December 31, 2016, the Group and the Parent Company has goodwill amounting to ₱13.4 billion and ₱13.5 billion, respectively, as a result of its merger with Allied Banking Corporation (ABC) in 2013. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. Goodwill has been allocated to three cash generating units (CGUs) namely retail banking, corporate banking and treasury. The Group performed the impairment testing using the value in use calculation. The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the value in use of the CGUs. The assumptions used in the calculation of the value in use are sensitive to estimates of future cash flows from business, interest margin, discount rate and long-term growth rate used to project cash flows. The disclosures related to goodwill impairment are included in Notes 3 and 14 of the financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and related controls. We involved our internal specialist to assist in evaluating the assumptions and methodology used by the Group, in particular those relating to long-term growth rate of the future cash flows and the discount rate used in determining the present value of the future cash flows. We compared the interest margin and long-term growth rate of the future cash flows to the historical performance of the CGUs. We also compared long-term growth rate of the future cash flows to economic and industry forecasts. We assessed the discount rate applied in determining the value in use whether these represent current market assessment of risk associated with the future cash flows.

Valuation of retirement benefit liability

As at December 31, 2016, the present value of pension obligation of the Group and the Parent Company amounted to ₱7.5 billion and ₱7.3 billion, respectively, while the fair value of plan assets amounted to ₱4.4 billion and ₱4.3 billion, respectively. Accumulated remeasurement losses amounted to ₱2.8 billion which accounts for 2.57% and 2.63% of the Group and Parent Company's total equity, respectively, as at December 31, 2016. The Parent Company also provides certain post-employee benefit through a guarantee of a specified return on contributions in its employee investment plan. The valuation of the retirement benefit liability involves significant management judgment in the use of assumptions. The valuation also requires the assistance of an external actuary whose calculation depends on certain assumptions such as prospective salary and employee turnover rate, as well as discount rate, which could have a material impact on the results. Thus, we considered this as a key audit matter. The disclosures related to retirement liability are included in Note 29 of the financial statements.

Audit response

We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the Group's external actuary. We also considered the internal specialist's professional qualifications and objectivity. We evaluated the key assumptions used by comparing the employee demographics and attrition rate against the Group's human resources data, and the discount rate and mortality rate against available market data. We inquired from management about the basis of the salary rate increase and compared it against the Group's forecast and available market data. We compared the fair value of the retirement plan assets to market price information.

Accounting for the disposal of Allianz-PNB Life Insurance, Inc. (APLII) and the remaining interest in APLII

In 2016, the Parent Company completed the sale of its 51.00% ownership interest in APLII for a consideration amounting to USD66.0 million (₱3.1 billion). Pursuant to the sale of APLII, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, for over a period of 15 years (the Exclusive Distribution Rights). Both the share purchase agreement and distribution agreement have provisions referring to one another; making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of USD66.0 million was allocated between the 51.00% ownership interest in APLII and the Exclusive Distribution Rights. The sale of the 51.00% ownership interest in APLII resulted in the loss of control of the Parent Company. Under PFRS, the Parent Company is required to remeasure the remaining interest in APLII to its fair value at date of disposal. The accounting for the disposal of 51.00% ownership interest in APLII and the remaining interest in APLII is significant to our audit because of the amount involved in the transaction and the significant judgment of the management for the valuation of the 51.00% interest in APLII, the Exclusive Distribution Rights and the remaining interest in APLII. The Parent Company engaged a third party valuer in determining the fair values of the shares of APLII and the Exclusive Distribution Rights. The disclosures related to the disposal of APLII are included in Notes 12 and 37 of the financial statements.

Audit response

We read the key agreements related to the disposal of APLII such as the share purchase and distribution agreement. Likewise, we also reviewed the accounting for the consideration received and the allocation made between the 51.00% interest in APLII and the Exclusive Distribution Rights. We considered the competence, capabilities and objectivity of the valuer engaged by the Parent Company to perform the valuation. We performed an understanding of the valuation techniques used by the valuer. We involved our internal specialist to assist us in evaluating the valuation methodology and the data and valuation multiples used by the third party valuer. For key assumptions related to the valuation of the 51.00% ownership interest in APLII, we compared the data and the valuation multiples used to available market or industry data. We also compared the discount rate and growth rate used on future cash flows to publicly available data on market participants that are comparable to the business of APLII. For key assumptions related to the valuation of the Exclusive Distribution Rights, we compared the data and valuation multiples (i.e., number of customers and number of branches) used in the valuation to available market or industry data and to the internal data of the Parent Company.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5908709, January 3, 2017, Makati City

February 24, 2017

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Thousands)

	Consolidated		Parent Company		
	December 31				January 1
	2016	2015	**2016**	2015 (As Restated - Note 2)	2015 (As Restated - Note 2)
ASSETS					
Cash and Other Cash Items	**₱11,014,663**	₱15,220,536	**₱10,626,525**	₱12,598,715	₱13,865,078
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**127,337,861**	81,363,444	**123,799,952**	79,203,948	95,415,467
Due from Other Banks (Note 34)	**22,709,805**	18,287,308	**12,831,514**	11,450,573	5,013,357
Interbank Loans Receivable (Notes 8 and 34)	**7,791,108**	5,800,383	**7,907,366**	5,958,526	7,671,437
Securities Held Under Agreements to Resell (Note 8)	**1,972,310**	14,550,000	**1,972,310**	14,550,000	–
Financial Assets at Fair Value Through Profit or Loss (Note 9)	**1,913,864**	4,510,545	**1,880,071**	4,492,864	6,695,950
Available-for-Sale Investments (Note 9)	**67,340,739**	68,341,024	**65,819,735**	66,734,752	55,411,588
Held-to-Maturity Investments (Note 9)	**24,174,479**	23,231,997	**24,074,898**	23,137,643	21,559,631
Loans and Receivables (Notes 10 and 34)	**428,027,471**	365,725,146	**378,198,738**	328,300,238	289,021,394
Property and Equipment (Note 11)	**18,097,355**	22,128,464	**16,505,047**	19,144,198	18,683,415
Investments in Subsidiaries and an Associate (Note 12)	**2,532,755**	–	**28,359,871**	26,497,732	26,554,857
Investment Properties (Notes 13 and 35)	**16,341,252**	13,230,005	**15,975,130**	14,666,831	19,752,903
Deferred Tax Assets (Note 31)	**1,482,214**	1,173,575	**1,014,308**	936,492	1,029,423
Intangible Assets (Note 14)	**2,562,369**	2,442,878	**2,471,451**	2,346,246	2,200,102
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 37)	–	23,526,757	–	1,172,963	–
Other Assets (Note 15)	**7,091,458**	6,780,268	**6,552,874**	5,417,287	4,178,455
TOTAL ASSETS	**₱753,765,110**	₱679,687,737	**₱711,505,555**	₱630,124,773	₱580,568,822
LIABILITIES AND EQUITY					
LIABILITIES					
Deposit Liabilities (Notes 17 and 34)					
Demand	**₱117,329,019**	₱110,029,680	**₱115,391,610**	₱108,667,550	₱100,322,249
Savings	**368,798,751**	315,355,056	**364,067,427**	311,090,518	284,837,113
Time	**84,375,617**	60,552,445	**62,731,586**	50,736,320	47,287,301
	570,503,387	485,937,181	**542,190,623**	470,494,388	432,446,663
Financial Liabilities at Fair Value Through Profit or Loss (Note 18)	**232,832**	135,193	**231,977**	135,009	44,264
Bills and Acceptances Payable (Notes 19, 34 and 36)	**35,885,948**	25,752,222	**33,986,698**	24,629,887	18,526,044
Accrued Taxes, Interest and Other Expenses (Note 20)	**4,943,626**	5,875,228	**4,231,615**	5,371,733	5,035,156
Subordinated Debt (Note 21)	**3,497,798**	9,986,427	**3,497,798**	9,986,427	9,969,498
Income Tax Payable	**195,240**	134,720	**60,898**	55,180	70,001
Liabilities of Disposal Group Classified as Held for Sale (Note 37)	–	21,452,621	–	–	–
Other Liabilities (Note 22)	**28,565,373**	25,658,284	**20,027,960**	17,669,131	18,629,173
	643,824,204	574,931,876	**604,227,569**	528,341,755	484,720,799
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Capital Stock (Note 25)	**49,965,587**	49,965,587	**49,965,587**	49,965,587	49,965,587
Capital Paid in Excess of Par Value (Note 25)	**31,331,251**	31,331,251	**31,331,251**	31,331,251	31,331,251
Surplus Reserves (Notes 25 and 33)	**573,658**	554,263	**573,658**	554,263	537,620
Surplus (Note 25)	**30,678,189**	24,799,259	**30,678,390**	24,799,358	18,702,394
Net Unrealized Loss on Available-for-Sale Investments (Note 9)	**(3,469,939)**	(3,030,588)	**(3,469,939)**	(3,030,588)	(2,336,142)
Remeasurement Losses on Retirement Plan (Note 29)	**(2,821,853)**	(2,364,215)	**(2,821,853)**	(2,364,215)	(2,292,833)
Accumulated Translation Adjustment (Note 25)	**915,222**	612,468	**915,222**	612,468	(59,854)
Other Equity Reserves (Note 25)	**105,670**	–	**105,670**	–	–
Other Equity Adjustment (Note 12)	**13,959**	13,959	–	–	–
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 37)	–	(133,500)	–	(85,106)	–
Parent Company Shares Held by a Subsidiary (Note 25)	–	(9,945)	–	–	–
	107,291,744	101,738,539	**107,277,986**	101,783,018	95,848,023
NON-CONTROLLING INTERESTS (Note 12)	**2,649,162**	3,017,322	–	–	–
	109,940,906	104,755,861	**107,277,986**	101,783,018	95,848,023
TOTAL LIABILITIES AND EQUITY	**₱753,765,110**	₱679,687,737	**₱711,505,555**	₱630,124,773	₱580,568,822

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 34)	**₱19,686,409**	₱17,137,657	₱15,172,464	**₱16,923,864**	₱15,151,263	₱13,994,793
Trading and investment securities (Note 9)	**4,026,594**	3,742,036	2,992,864	**3,975,682**	3,705,138	2,938,727
Deposits with banks and others (Notes 7 and 34)	**597,500**	785,414	1,919,443	**440,664**	596,592	1,616,415
Interbank loans receivable (Note 8)	**33,862**	36,746	19,218	**34,174**	36,316	19,219
	24,344,365	21,701,853	20,103,989	**21,374,384**	19,489,309	18,569,154
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 34)	**3,780,242**	2,980,019	2,788,400	**3,356,866**	2,773,720	2,614,956
Bills payable and other borrowings (Notes 19, 21 and 34)	**997,621**	1,029,995	856,927	**959,609**	1,003,173	801,114
	4,777,863	4,010,014	3,645,327	**4,316,475**	3,776,893	3,416,070
NET INTEREST INCOME	**19,566,502**	17,691,839	16,458,662	**17,057,909**	15,712,416	15,153,084
Service fees and commission income (Notes 26 and 34)	**3,569,958**	4,312,898	3,546,449	**2,731,258**	3,355,972	2,872,162
Service fees and commission expense (Note 34)	**914,527**	716,849	670,033	**480,549**	292,724	351,287
NET SERVICE FEES AND COMMISSION INCOME	**2,655,431**	3,596,049	2,876,416	**2,250,709**	3,063,248	2,520,875
Net insurance premium (Note 27)	**629,826**	540,464	408,273	–	–	–
Net insurance benefits and claims (Note 27)	**255,698**	436,887	96,138	–	–	–
NET INSURANCE PREMIUM	**374,128**	103,577	312,135	**–**	–	–
OTHER INCOME						
Net gains on sale or exchange of assets (Note 13)	**2,510,361**	1,595,518	1,453,047	**2,517,861**	1,581,385	1,435,726
Gain on remeasurement of a previously held interest (Note 12)	**1,644,339**	–	–	**1,644,339**	–	–
Foreign exchange gains - net (Note 23)	**1,487,740**	1,207,840	1,295,318	**926,529**	973,680	1,007,476
Trading and investment securities gains net (Note 9)	**1,378,321**	574,321	1,267,706	**1,369,514**	569,778	1,234,347
Equity in net earnings of subsidiaries and an associate (Note 12)	**49,325**	–	–	**255,292**	251,852	1,007,198
Miscellaneous (Note 28)	**1,542,367**	1,719,759	2,141,415	**1,194,947**	1,499,673	1,351,797
TOTAL OPERATING INCOME	**31,208,514**	26,488,903	25,804,699	**27,217,100**	23,652,032	23,710,503
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 29 and 34)	**8,569,994**	8,234,957	7,429,876	**7,370,977**	7,173,327	6,582,719
Provision for impairment, credit and other losses (Note 16)	**3,212,694**	568,180	2,264,615	**1,707,494**	94,435	2,155,199
Taxes and licenses	**2,172,042**	1,910,735	1,826,963	**1,952,291**	1,723,421	1,693,907
Depreciation and amortization (Note 11)	**1,554,645**	1,452,221	1,481,931	**1,343,583**	1,305,779	1,342,210
Occupancy and equipment-related costs (Note 30)	**1,473,342**	1,430,048	1,462,540	**1,262,952**	1,219,156	1,257,625
Miscellaneous (Note 28)	**6,142,744**	5,319,544	4,740,602	**5,604,188**	4,911,986	3,950,882
TOTAL OPERATING EXPENSES	**23,125,461**	18,915,685	19,206,527	**19,241,485**	16,428,104	16,982,542
INCOME BEFORE INCOME TAX	**8,083,053**	7,573,218	6,598,172	**7,975,615**	7,223,928	6,727,961
PROVISION FOR INCOME TAX (Note 31)	**1,517,030**	1,619,554	1,367,288	**1,228,372**	1,110,321	1,369,207
NET INCOME FROM CONTINUING OPERATIONS	**6,566,023**	5,953,664	5,230,884	**6,747,243**	6,113,607	5,358,754
NET INCOME FROM DISCONTINUED OPERATIONS NET OF TAX (Notes 12 and 37)	**619,563**	357,931	264,161	**400,323**	–	–
NET INCOME	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company	**₱7,147,464**	₱6,113,508	₱5,358,669			
Non-controlling Interests	**38,122**	198,087	136,376			
	₱7,185,586	₱6,311,595	₱5,495,045			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱5.72**	₱4.89	₱4.60			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 32)	**₱5.24**	₱4.67	₱4.42			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
NET INCOME	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on available-for-sale investments (Note 9)	**(193,484)**	(824,011)	1,257,552	**(185,603)**	(822,826)	1,115,369
Income tax effect (Note 31)	**286**	2,887	9,059	**–**	2,887	9,059
Share in changes in net unrealized gains (losses) on available for sale investments of subsidiaries and an associate (Note 12)	**(245,867)**	–	–	**(253,748)**	51,906	121,295
	(439,065)	(821,124)	1,266,611	**(439,351)**	(768,033)	1,245,723
Accumulated translation adjustment	**420,381**	823,525	(368,697)	**282,601**	86,110	(156,991)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**20,153**	586,212	(194,234)
	(18,684)	2,401	897,914	**(136,597)**	(95,711)	894,498
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurement losses on retirement plan (Note 29)	**(458,740)**	(94,267)	(1,024,067)	**(464,207)**	(90,249)	(996,265)
Income tax effect (Note 31)	**2,204**	2,277	9,334	**–**	2,277	9,334
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**1,208**	–	–	**6,569**	5,071	(27,530)
	(455,328)	(91,990)	(1,014,733)	**(457,638)**	(82,901)	(1,014,461)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(474,012)**	(89,589)	(116,819)	**(594,235)**	(178,612)	(119,963)
TOTAL COMPREHENSIVE INCOME	**₱6,711,574**	₱6,222,006	₱5,378,226	**₱6,553,331**	₱5,934,995	₱5,238,791
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱6,553,229**	₱5,886,502	₱5,238,706			
Non-controlling interests	**158,345**	335,504	139,520			
	₱6,711,574	₱6,222,006	₱5,378,226			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 33)	Surplus (Note 25)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Note 25)	Reserves of a Disposal Group Classified as Held for Sale (Note 37)	Other Equity Adjustment (Note 12)	Parent Company Shares Held by a Subsidiary (Note 25)	Total	Non-controlling Interest (Note 12)	Total Equity
Balance at January 1, 2016	**₱49,965,587**	**₱31,331,251**	**₱554,263**	**₱24,799,259**	**(₱3,030,588)**	**(₱2,364,215)**	**₱612,468**	**₱–**	**(₱133,500)**	**₱13,959**	**(₱9,945)**	**₱101,738,539**	**₱3,017,322**	**₱104,755,861**
Total comprehensive income (loss) for the year	–	–	–	**7,147,464**	**(439,351)**	**(457,638)**	**302,754**	–	–	–	–	**6,553,229**	**158,345**	**6,711,574**
Sale of direct interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	**133,500**	–	–	**133,500**	**(483,296)**	**(349,796)**
Disposal of Parent Company shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	**9,945**	**9,945**	–	**9,945**
Cash dividends declared (Note 25)	–	–	–	**(1,249,139)**	–	–	–	–	–	–	–	**(1,249,139)**	–	**(1,249,139)**
Other equity reserves (Note 25)	–	–	–	–	–	–	–	**105,670**	–	–	–	**105,670**	–	**105,670**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(43,209)**	**(43,209)**
Transfer to surplus reserves (Note 33)	–	–	**19,395**	**(19,395)**	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2016	**₱49,965,587**	**₱31,331,251**	**₱573,658**	**₱30,678,189**	**(₱3,469,939)**	**(₱2,821,853)**	**₱915,222**	**₱105,670**	**₱–**	**₱13,959**	**₱–**	**₱107,291,744**	**₱2,649,162**	**₱109,940,906**
Balance at January 1, 2015	₱49,965,587	₱31,331,251	₱537,620	₱18,702,394	(₱2,336,142)	(₱2,292,833)	(₱59,854)	₱–	₱–	₱–	₱–	₱95,848,023	₱3,212,859	₱99,060,882
Total comprehensive income (loss) for the year	–	–	–	6,113,508	(809,876)	(89,452)	672,322	–	–	–	–	5,886,502	335,504	6,222,006
Sale of direct interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	(543)	–	(543)	103,166	102,623
Acquisition of non-controlling interest (Note 12)	–	–	–	–	–	–	–	–	–	14,502	–	14,502	(616,274)	(601,772)
Acquisition of Parent Company Shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	(9,945)	(9,945)	–	(9,945)
Reserves of a disposal group classified as held for sale	–	–	–	–	115,430	18,070	–	–	(133,500)	–	–	–	–	–
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(17,933)	(17,933)
Transfer to surplus reserves (Note 33)	–	–	16,643	(16,643)	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2015	₱49,965,587	₱31,331,251	₱554,263	₱24,799,259	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	(₱133,500)	₱13,959	(₱9,945)	₱101,738,539	₱3,017,322	₱104,755,861
Balance at January 1, 2014	₱43,448,337	₱26,499,909	₱524,003	₱13,357,342	(₱3,581,865)	(₱1,278,372)	₱291,371	₱–	₱–	₱–	₱–	₱79,260,725	₱3,078,228	₱82,338,953
Total comprehensive income (loss) for the year	–	–	–	5,358,669	1,245,723	(1,014,461)	(351,225)	–	–	–	–	5,238,706	139,520	5,378,226
Issuance of capital stock (Note 25)	6,517,250	5,050,869	–	–	–	–	–	–	–	–	–	11,568,119	–	11,568,119
Transaction costs of shares issuance	–	(219,527)	–	–	–	–	–	–	–	–	–	(219,527)	–	(219,527)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(4,889)	(4,889)
Transfer to surplus reserves (Note 33)	–	–	13,617	(13,617)	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2014	₱49,965,587	₱31,331,251	₱537,620	₱18,702,394	(₱2,336,142)	(₱2,292,833)	(₱59,854)	₱–	₱–	₱–	₱–	₱95,848,023	₱3,212,859	₱99,060,882

	Parent Company									
	Capital Stock (Note 25)	**Capital Paid in Excess of Par Value** (Note 25)	**Surplus Reserves** (Notes 25 and 33)	**Surplus** (Note 25)	**Reserves of a Disposal Group Classified as Held for Sale** (Notes 12 and 37)	**Other Equity Reserves** (Note 25)	**Net Unrealized Loss on AFS Investments** (Note 9)	**Remeasurement Losses on Retirement Plan** (Note 29)	**Accumulated Translation Adjustment** (Note 25)	**Total Equity**
Balance at January 1, 2016, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱554,263**	**₱22,219,098**	**₱–**	**₱–**	**(₱3,022,853)**	**(₱2,326,283)**	**₱154,713**	**₱98,875,776**
Effect of retroactive application of PAS 27 (Amendment) (Note 2)	–	–	–	**2,580,260**	**(85,106)**	–	**(7,735)**	**(37,932)**	**457,755**	**2,907,242**
Balance at January 1, 2016, as restated	**49,965,587**	**31,331,251**	**554,263**	**24,799,358**	**(85,106)**	–	**(3,030,588)**	**(2,364,215)**	**612,468**	**101,783,018**
Total comprehensive income (loss) for the year	–	–	–	**7,147,566**	–	–	**(439,351)**	**(457,638)**	**302,754**	**6,553,331**
Declaration of Cash Dividends	–	–	–	**(1,249,139)**	–	–	–	–	–	**(1,249,139)**
Sale of direct interest in a subsidiary (Note 37)	–	–	–	–	**85,106**	–	–	–	–	**85,106**
Other equity reserves (Note 25)	–	–	–	–	–	**105,670**	–	–	–	**105,670**
Transfer to surplus reserves (Note 33)	–	–	**19,395**	**(19,395)**	–	–	–	–	–	–
Balance at December 31, 2016	**₱49,965,587**	**₱31,331,251**	**₱573,658**	**₱30,678,390**	**₱–**	**₱105,670**	**(₱3,469,939)**	**(₱2,821,853)**	**₱915,222**	**₱107,277,986**
Balance at January 1, 2015, as previously reported	₱49,965,587	₱31,331,251	₱537,620	₱16,019,048	₱–	₱–	(₱2,276,501)	(₱2,249,830)	₱68,603	₱93,395,778
Effect of retroactive application of PAS 27 (Amendment) (Note 2)	–	–	–	2,683,346	–	–	(59,641)	(43,003)	(128,457)	2,452,245
Balance at January 1, 2015, as restated	49,965,587	31,331,251	537,620	18,702,394	–	–	(2,336,142)	(2,292,833)	(59,854)	95,848,023
Total comprehensive income (loss) for the year	–	–	–	6,113,607	–	–	(768,033)	(82,901)	672,322	5,934,995
Reserves of a disposal group classified as held for sale (Note 37)	–	–	–	–	(85,106)	–	73,587	11,519	–	–
Transfer to surplus reserves (Note 33)	–	–	16,643	(16,643)	–	–	–	–	–	–
Balance at December 31, 2015	₱49,965,587	₱31,331,251	₱554,263	₱24,799,358	(₱85,106)	₱–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱101,783,018
Balance at January 1, 2014, as previously reported	₱43,448,337	₱26,499,909	₱524,003	₱11,613,316	₱–	₱–	(₱3,400,929)	(₱1,262,899)	₱225,594	₱77,647,331
Effect of retroactive application of PAS 27 (Amendment) (Note 2)	–	–	–	1,743,941	–	–	(180,936)	(15,473)	65,777	1,613,309
Balance at January 1, 2014, as restated	43,448,337	26,499,909	524,003	13,357,257	–	–	(3,581,865)	(1,278,372)	291,371	79,260,640
Total comprehensive income (loss) for the year	–	–	–	5,358,754	–	–	1,245,723	(1,014,461)	(351,225)	5,238,791
Issuance of capital stock (Note 25)	6,517,250	5,050,869	–	–	–	–	–	–	–	11,568,119
Transaction costs on shares issuance	–	(219,527)	–	–	–	–	–	–	–	(219,527)
Transfer to surplus reserves (Note 33)	–	–	13,617	(13,617)	–	–	–	–	–	–
Balance at December 31, 2014	₱49,965,587	₱31,331,251	₱537,620	₱18,702,394	₱–	₱–	(₱2,336,142)	(₱2,292,833)	(₱59,854)	₱95,848,023

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱8,083,053**	₱7,573,218	₱6,598,172	**₱7,975,615**	₱7,223,928	₱6,727,961
Income before income tax from discontinued operations (Note 37)	**826,061**	402,236	307,333	**681,228**	–	–
Income before income tax	**8,909,114**	7,975,454	6,905,505	**8,656,843**	7,223,928	6,727,961
Adjustments for:						
Provision for impairment, credit and other losses (Notes 16 and 37)	**3,212,694**	600,945	2,264,615	**1,707,494**	94,435	2,155,199
Net gain on sale or exchange of assets (Note 13)	**(2,510,361)**	(1,595,518)	(1,453,047)	**(2,517,861)**	(1,581,385)	(1,435,726)
Gain on remeasurement of a previously held interest (Note 12)	**(1,644,339)**	–	–	**(1,644,339)**	–	–
Depreciation and amortization (Notes 11 and 37)	**1,554,645**	1,462,925	1,495,970	**1,343,583**	1,305,779	1,342,210
Realized trading gain on available-for-sale investments (Notes 9 and 37)	**(1,362,477)**	(782,065)	(1,174,153)	**(1,350,468)**	(756,777)	(1,128,511)
Amortization of premium (discount) on investment securities	**1,144,317**	(911,967)	(694,846)	**1,137,513**	(872,123)	1,099,979
Loss (gain) on mark-to-market of derivatives (Note 23)	**698,071**	583,375	(105,244)	**698,071**	583,358	(105,087)
Loss (gain) from sale of previously held interest (Note 12)	**(681,228)**	–	–	**(681,228)**	13,247	(1,917)
Recoveries on receivable from special purpose vehicle (Note 28)	**(500,000)**	(353,000)	(27,000)	**(500,000)**	(353,000)	(27,000)
Amortization of fair values of HTM reclassified to AFS (Note 9)	**145,727**	139,372	124,145	**140,332**	126,531	102,615
Loss on mark-to-market of held for trading securities (Note 9)	**88,436**	314,836	233,439	**88,436**	314,846	233,506
Equity in net earnings of subsidiaries and an associate (Note 12)	**(49,325)**	–	–	**(255,292)**	(251,852)	(1,007,198)
Amortization of transaction costs (Note 17)	**36,640**	33,836	38,600	**36,640**	33,836	38,600
Amortization of fair value adjustments	**21,137**	63,519	222,245	**21,137**	63,519	222,245
Gain on mark-to-market of financial assets and liabilities designated at fair value through profit or loss (Notes 9 and 18)	**3,202**	(210)	(1,751)	–	–	–
Loss on write-off of software cost (Note 14)	**894**	–	2,648	–	–	852
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**(547,222)**	178,898	(178,898)	**(508,224)**	132,596	(178,898)
Financial assets at fair value through profit or loss	**1,904,611**	(1,691,607)	(5,768,722)	**1,923,254**	1,304,882	(2,978,696)
Loans and receivables	**(66,333,237)**	(49,881,768)	(44,553,319)	**(52,436,762)**	(38,729,690)	(35,839,430)
Other assets	**(1,643,070)**	238,353	(3,022,695)	**(743,644)**	666,991	(2,357,544)
Increase (decrease) in amounts of:						
Financial liabilities at fair value through profit or loss	–	2,998,489	2,787,130	–	90,745	(118,819)
Deposit liabilities	**84,510,588**	38,196,138	(14,994,164)	**71,640,617**	37,950,439	(16,258,325)
Accrued taxes, interest and other expenses	**729,486**	595,696	(82,174)	**520,970**	336,577	25,993
Other liabilities	**1,204,703**	538,654	(2,565,604)	**651,404**	(294,584)	(3,314,173)
Net cash generated from (used in) operations	**28,893,006**	(1,295,645)	(60,547,320)	**27,928,476**	7,402,298	(52,802,164)
Income taxes paid	**(784,682)**	(718,496)	(899,599)	**(715,203)**	(516,503)	(696,006)
Net cash provided by (used in) operating activities	**28,108,324**	(2,014,141)	(61,446,919)	**27,213,273**	6,885,795	(53,498,170)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Available-for-sale investments	**₱83,143,335**	₱66,348,222	₱63,379,326	**₱81,843,119**	₱60,096,798	₱56,615,134
Investment properties	**2,387,170**	4,050,406	2,849,775	**2,255,377**	3,918,919	2,830,358
Property and equipment (Note 11)	**142,129**	499,529	451,212	**418,869**	432,469	457,352
Disposal group classified as held for sale/Investment in shares of a subsidiary (Notes 12 and 37)	**3,230,966**	–	–	**3,230,966**	102,623	–
Proceeds from maturities of :						
Available-for-sale investments	–	21,848,096	368,050	–	21,848,096	–
Held-to-maturity investments	–	115,397	40,000	–	–	–
Collection of receivables from special purpose vehicle	**500,000**	353,000	27,000	**500,000**	353,000	27,000
Share in dividends from subsidiaries (Note 12)	–	–	–	**66,125**	180,000	67,793
Acquisitions of:						
Available-for-sale investments	**(83,486,942)**	(100,599,843)	(65,706,781)	**(82,272,241)**	(92,903,772)	(59,016,667)
Property and equipment (Note 11)	**(2,028,339)**	(1,907,386)	(981,458)	**(1,740,338)**	(1,577,147)	(835,152)
Software cost (Note 14)	**(406,053)**	(571,768)	(384,951)	**(404,837)**	(558,372)	(380,474)
Held-to-maturity investments	–	(976,403)	(571,602)	–	(892,200)	(571,602)
Additional investments in subsidiaries (Note 12)	–	–	–	**(292,416)**	(601,772)	(10,600,000)
Closure of subsidiaries (Note 12)	–	–	–	–	–	2,035
Net cash provided by(used in) investing activities	**3,482,266**	(10,840,750)	(529,429)	**3,604,624**	(9,601,358)	(11,404,223)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of:						
Bills and acceptances payable	**180,747,610**	116,889,829	42,300,489	**175,375,030**	112,249,710	39,296,399
Capital stock	–	–	11,568,119	–	–	11,568,119
Proceeds from sale of non-controlling interest in subsidiaries (Note 12)	–	102,623	–	–	–	–
Settlement of:						
Bills and acceptances payable	**(169,839,126)**	(111,139,760)	(36,442,592)	**(165,576,107)**	(107,605,128)	(34,286,795)
Subordinated debt	**(6,500,000)**	–	–	**(6,500,000)**	–	–
Cash dividends declared and paid	**(1,249,139)**	–	–	**(1,249,139)**	–	–
Acquisition of non-controlling interest in subsidiaries (Note 12)	**(292,416)**	(601,772)	–	–	–	–
Dividends paid to non-controlling interest	**(43,209)**	(17,933)	(4,889)	–	–	–
Payments for transaction cost of issuance of shares	–	–	(219,527)	–	–	(219,527)
Net cash provided by (used in) financing activities	**2,823,720**	5,232,987	17,201,600	**2,049,784**	4,644,582	16,358,196
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,414,310**	(7,621,904)	(44,774,748)	**32,867,681**	1,929,019	(48,544,197)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**15,863,080**	14,628,489	11,804,746	**12,598,715**	13,865,078	9,700,005
Due from Bangko Sentral ng Pilipinas	**81,363,444**	105,773,685	153,169,330	**79,203,948**	95,415,467	146,079,249
Due from other banks	**18,287,308**	15,591,406	14,881,541	**11,450,573**	5,013,357	6,146,134
Interbank loans receivable	**5,800,383**	7,492,539	8,405,250	**5,912,224**	7,492,539	8,405,250
Securities held under agreements to resell	**14,550,000**	–	–	**14,550,000**	–	–
	135,864,215	143,486,119	188,260,867	**123,715,460**	**121,786,441**	**170,330,638**
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**11,014,663**	15,863,080	14,628,489	**10,626,525**	12,598,715	13,865,078
Due from Bangko Sentral ng Pilipinas	**127,337,861**	81,363,444	105,773,685	**123,799,952**	79,203,948	95,415,467
Due from other banks	**22,709,805**	18,287,308	15,591,406	**12,831,514**	11,450,573	5,013,357
Interbank loans receivable (Note 8)	**7,243,886**	5,800,383	7,492,539	**7,352,840**	5,912,224	7,492,539
Securities held under agreements to resell	**1,972,310**	14,550,000	–	**1,972,310**	14,550,000	–
	₱170,278,525	₱135,864,215	₱143,486,119	**₱156,583,141**	₱123,715,460	₱121,786,441
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱4,620,623**	₱3,881,864	₱3,387,941	**₱4,254,991**	₱3,628,149	₱3,150,615
Interest received	**23,544,207**	20,208,489	22,270,498	**20,653,077**	17,952,107	22,147,995
Dividends received	**17,593**	22,190	2,409	**80,841**	198,338	79,744

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (the Parent Company) was established in the Philippines in 1916 and started commercial operations that same year. On May 27, 1996, the Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) with a corporate term of 50 years. Its principal place of business is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila. As of December 31, 2016 and 2015, the LT Group, Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through various holding companies, while 17.38% of the Parent Company's shares were held by Philippine Central Depository (PCD) Nominee Corporation. The remaining 22.79% of the Parent Company's shares were held by other stockholders holding less than 10.00% each of the Parent Company's shares.

The Parent Company's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies. The Parent Company's principal commercial banking activities include deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers/ remittance servicing and a full range of retail banking and trust services through its 675 and 665 domestic branches as of December 31, 2016 and 2015, respectively.

The Parent Company has the largest overseas network among Philippine banks with 73 and 75 branches, representative offices, remittance centers and subsidiaries as of December 31, 2016 and 2015, respectively, in 16 locations in the United States, Canada, Europe, the Middle East and Asia.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, life and nonlife insurance, banking, leasing, stock brokerage, foreign exchange trading and/or related services.

The Parent Company previously operated under a rehabilitation program pursuant to the memorandum of agreement signed by the Republic of the Philippines, the Philippine Deposit Insurance Corporation (PDIC) and the LTG on May 3, 2002. In May 2007, the Parent Company concluded its 5-year Rehabilitation Plan as approved by the Bangko Sentral ng Pilipinas (BSP).

<u>Merger with Allied Banking Corporation</u>

The respective shareholders of the Parent Company and Allied Banking Corporation (ABC), representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original plan of the merger, which involved a share-for-share exchange, was approved by the affirmative vote of ABC and the Parent Company's respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks, on June 24, 2008. Under the approved amended terms, the Parent Company will be the surviving entity. It will issue to ABC shareholders 130 Parent Company common shares for every ABC common share and 22.763 Parent Company common shares for every ABC preferred share. Merger and business combination are terms used interchangeably within the accompanying financial statements and have the same meaning.

On February 9, 2013, the Parent Company concluded its planned merger with ABC as approved and confirmed by the Board of Directors (BOD) of the Parent Company and of ABC on January 22 and 23, 2013, respectively. The purchase consideration as of February 9, 2013, the acquisition date, amounted to₱41.5 billion which represents 423,962,500 common shares at the fair value of ₱97.90 per share in exchange for the 100.00% voting interest in ABC at the share swap ratio of 130 Parent Company common shares for one ABC share and 22.763 Parent Company common shares for one ABC preferred share (Note 14). The fair value of the shares is the published price of the shares of the Parent Company as of February 9, 2013. There are no contingent considerations arrangements as part of the merger.

The merger of the Parent Company and ABC enabled the two banks to advance their long-term strategic business interests as they capitalized on their individual strengths and markets.

On April 26, 2013, the Group filed a request for a ruling from the BIR seeking confirmation that the statutory merger of PNB and ABC is a tax-free merger under Section 40(C)(2) of the National Internal Revenue Code of 1997 as amended (Tax Code). As of December 31, 2016, the ruling request is still pending with the Law Division of the BIR. The Group believes that the BIR will issue such confirmation on the basis of BIR Preliminary Ruling No. 01-2008 (dated September 28, 2008) whereby the BIR held that the statutory merger of PNB and ABC complies with Revenue Memorandum Ruling (RMR) No. 1-2001, subject to the submission of the merger documents and documents pertaining to the assets and liabilities transferred. RMR No. 1-2001 provides the fact pattern that should be present in order to secure BIR confirmation for a tax-free Section 40(C)(2) transaction.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Parent Company and its subsidiaries (the Group) have been prepared on a historical cost basis except for financial assets and liabilities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that are measured at fair value. Amounts in the financial statements are presented to the nearest thousand pesos (₱000) unless otherwise stated.

The financial statements of the Parent Company and PNB Savings Bank (PNBSB) reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The functional currency of RBU and FCDU is Philippine pesos (Php) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine pesos (see accounting policy on Foreign Currency Translation). The financial statements individually prepared for these units are combined and inter-unit accounts and transactions are eliminated.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented in Note 12.

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The statements of financial position of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position only when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the statements of income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross amounts in the statement of financial position.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (Note 12).

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with an investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in deficit balances of non-controlling interests. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Changes in the Group and the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity as 'Other equity adjustment'. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets and liabilities

<u>Non-controlling Interests</u>
Non-controlling interests represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Subsequent to acquisition (See Accounting Policy on Business Combinations and Goodwill), non-controlling interests consist of the amount attributed to such interest at initial recognition and the non-controlling interests' share of changes in equity since the date of business combination.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous year except for the following amendments and improvements to PFRS which are effective beginning on or after January 1, 2016. Except as otherwise indicated, the changes in the accounting policies that did not have any significant impact on the financial position or performance of the Group follow:

- PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception* (Amendments)
- PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- Philippine Accounting Standards (PAS) 1, *Disclosure Initiative (*Amendments)
- PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- PAS 16 and PAS 41, *Agriculture: Bearer Plants* (Amendments)

Annual Improvements to PFRSs (2012-2014 cycle)

- PFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations - Changes in Methods of Disposal* (Amendments)
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*(Amendments)
- PFRS 7, *Applicability of the Amendments to PFRS to Condensed Interim Financial Statements* (Amendments)
- PAS 19, *Employee Benefits - regional market issue regarding discount rate* (Amendments)
- PAS 34, *Interim Financial Reporting - disclosure of information elsewhere in the interim financial report* (Amendments)

In 2016, the Parent Company adopted the amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*, following the guidelines provided by the BSP. The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. The Parent Company elected to use the equity method in its separate financial statements. These amendments do not have any impact on the Group's consolidated financial statements.

Additional statement of financial position as at January 1, 2015 is presented in the separate financial statements due to retrospective application of the change in accounting policy. The effects of retrospective restatement of items in the financial statements are detailed below:

	December 31, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Investments in subsidiaries and an associate	₱23,821,982	₱2,675,750	₱26,497,732
Deferred tax assets	1,031,948	(95,456)	936,492
Assets of a disposal group classified as held for sale	846,015	326,948	1,172,963
Surplus	22,219,098	2,580,260	24,799,358
Net unrealized loss on available-for-sale investments	(3,022,853)	(7,735)	(3,030,588)
Remeasurement losses on retirement plan	(2,326,283)	(37,932)	(2,364,215)
Accumulated translation adjustment	154,713	457,755	612,468
Reserves of a disposal group classified as held for sale	–	(85,106)	(85,106)

	For the year ended December 31, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Miscellaneous income	₱1,759,155	(₱259,482)	₱1,499,673
Equity in net earnings of subsidiaries and an associate	–	69,307	69,307
Provision for income tax	1,014,865	95,456	1,110,321
Net income from discontinued operations	–	182,545	182,545

(Forward)

	For the year ended December 31, 2015		
	As previously reported	Effect of restatement	As restated
Other comprehensive income			
Share in changes in net unrealized gains on available-for-sale investments of subsidiaries and an associate	₱–	₱51,906	₱51,906
Share in changes in accumulated translation adjustment of subsidiaries and an associate	–	586,212	586,212
Share in changes in remeasurement gains on retirement plan of subsidiaries and an associate	–	5,071	5,071

	January 1, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Investments in subsidiaries and an associate	₱24,102,612	₱2,452,245	₱26,554,857
Surplus	16,019,048	2,683,346	18,702,394
Net unrealized loss on available-for-sale investments	(2,276,501)	(59,641)	(2,336,142)
Remeasurement losses on retirement plan	(2,249,830)	(43,003)	(2,292,833)
Accumulated translation adjustment	68,603	(128,457)	(59,854)

	For the year ended December 31, 2014		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Miscellaneous income	₱1,419,591	(₱67,794)	₱1,351,797
Equity in net earnings of subsidiaries and an associate	–	1,007,198	1,007,198
Other comprehensive income			
Share in changes in net unrealized gains on available-for-sale investments of subsidiaries and an associate	–	121,295	121,295
Share in changes in accumulated translation adjustment of subsidiaries and an associate	–	(194,234)	(194,234)
Share in changes in remeasurement gains on retirement plan of subsidiaries and an associate	–	(27,530)	(27,530)

Significant Accounting Policies

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group, as an acquirer, shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in the consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the purchase method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction.

Non-current Assets and Disposal Group Held for Sale and Discontinued Operations
The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Assets and liabilities of disposal group classified as held for sale are presented separately in the statements of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income.

Refer to Note 37 for the detailed disclosure on discontinued operations. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Foreign Currency Translation
The financial statements are presented in Php, which is also the Parent Company's functional currency. The books of accounts of the RBU are maintained in Php while those of the FCDU are maintained in USD. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
As at reporting date, foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of year, and for foreign currency-denominated income and expenses at the exchange rates prevailing at transaction dates. Foreign exchange differences arising from revaluation of foreign currency-denominated monetary assets and liabilities of the entities are credited to or charged against operations in the period in which foreign exchange rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

FCDU and overseas subsidiaries
As at the reporting date, the assets and liabilities of the FCDU and overseas subsidiaries are translated into the Parent Company's presentation currency (the Philippine peso) at the closing rate prevailing at the reporting date, and their income and expenses are translated at the average exchange rate for the year. Exchange differences arising on translation are taken directly to OCI under 'Accumulated Translation Adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

Insurance Product Classification
Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts, however, can be reclassified to insurance contracts after inception if the insurance risk becomes significant.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately as financial assets or liabilities at fair value through profit or loss (FVPL). Bifurcation is not required if the embedded derivative is itself an insurance contract or when the host insurance contract itself is measured as financial assets or liabilities at FVPL. The options and guarantees within the insurance contracts issued by the Group are treated as derivative financial instruments which are closely related to the host insurance and therefore not bifurcated subsequently. As such, the Group does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payment on the contract to units of internal investment funds meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract.

Based on the Group guidelines, all products in its portfolio meet the definition of insurance contracts, including unit-linked products, which contain features that make use of funds specifically segregated for the benefit of unit-linked policyholders.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

Fair Value Measurement

The Group measures financial instruments such as financial assets and liabilities at FVPL and AFS investments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date, the date that an asset is delivered to or by the Group. Derivatives are recognized on trade date basis (i.e., the date that the Group commits to purchase or sell). Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities at amortized cost.

Derivatives recorded at FVPL
The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps and warrants. These contracts are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives are taken directly to the statement of income and are included in 'Trading and investment securities gains - net' except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets or financial liabilities held-for-trading
Financial assets or financial liabilities held for trading (classified as 'Financial Assets at FVPL' or 'Financial Liabilities at FVPL') are recorded in the statement of financial position at fair value. Changes in fair value relating to the held-for-trading (HFT) positions are recognized in 'Trading and investment securities gains - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' when the right to receive payment has been established.

Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Designated financial assets or financial liabilities at FVPL
Financial assets or financial liabilities classified in this category are designated by management on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Designated financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Trading and investment securities gains - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' according to the terms of the contract, or when the right of payment has been established.

HTM investments
HTM investments are quoted, non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category would be tainted and reclassified as AFS investments. Once tainted, the Group is prohibited from classifying investments under HTM for at least the following two financial years.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in the statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. Losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment, credit and other losses'. The effects of revaluation on foreign currency-denominated HTM investments are recognized as 'Foreign exchange gains-net' in the consolidated statement of income.

Loans and receivables
Significant accounts falling under this category are 'Loans and Receivables', 'Due from BSP', 'Due from Other Banks', 'Interbank Loans Receivable' and 'Securities Held Under Agreements to Resell'.

These are non-derivative financial assets with fixed or determinable payments and fixed maturities and are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS investments.

'Loans and Receivables' also include receivables arising from transactions on credit cards issued directly by the Parent Company. Furthermore, 'Loans and Receivables' include the aggregate rental on finance lease transactions and notes receivables financed by PNB-IBJL Leasing and Finance Corporation (PILFC) and Allied Leasing and Finance Corporation (ALFC). Unearned income on finance lease transactions is shown as a deduction from 'Loans and Receivables' (included in 'Unearned and other deferred income').

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Losses arising from impairment are recognized in 'Provision for impairment, credit and other losses' in the statement of income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as 'Financial Assets at FVPL', 'HTM Investments' or 'Loans and Receivables'. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include debt and equity instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported income and are reported as 'Net change in unrealized gain (loss) on AFS investments' in the statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and investment securities gains - net' in the statement of income. Interest earned on holding AFS debt investments are reported as 'Interest income' using the effective interest method. Dividends earned on holding AFS equity investments are recognized in the statement of income as 'Miscellaneous income' when the right of payment has been established. Losses arising from impairment of such investments are recognized as 'Provision for impairment, credit and other losses' in the statement of income.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as 'Deposit Liabilities', 'Bills and Acceptances Payable', 'Subordinated Debt' and other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities not qualified as and not designated at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Reclassification of financial assets
The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for purposes of selling it in the near term and only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would

meet the definition of loans and receivables out of the AFS investments category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

The Group may also reclassify certain AFS investments to HTM investments when there is a change of intention and the Group has the ability to hold the financial instruments to maturity.

For reclassifications from AFS, the fair value carrying amount at the date of reclassification becomes the new amortized cost and any previous gain or loss that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position as 'Securities Held Under Agreements to Resell', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets at amortized cost

For financial assets carried at amortized costs such as 'Loans and Receivables', 'HTM Investments', 'Due from BSP', 'Due from Other Banks', 'Interbank Loans Receivable' and 'Securities Held under Agreements to Resell', the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as internal credit risk rating, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous income' in the statement of income.

The consumer loans and credit card receivables of the Group are assessed for impairment collectively because these receivables are not individually significant. The carrying amount of these receivables is reduced for impairment through the use of an allowance account and the amount of loss is recognized under 'Provision for impairment, credit and other losses' in the statement of income. Consumer loans and credit card receivables, together with the associated allowance accounts, are written off if the accounts are 360 days past due and 180 days past due, respectively. If a write-off is later recovered, any amounts formerly charged to allowance for credit losses are credited to 'Recoveries' under 'Miscellaneous income' in the statement of income. Past due accounts include accounts with no payments or with payments less than the minimum amount due on or before the due dates.

The allowance for credit losses of consumer loans and credit card receivables are determined based on the net flow rate methodology. Net flow tables are derived from account-level monitoring of monthly movements between different stage buckets, from 1-day past due to 180-days past due. The net flow rate methodology relies on the last 60 months for consumer loans and 24 months for credit card receivables of net flow tables to establish a percentage (net flow rate) of receivables that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 days past due) as of the reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of the reporting date and the net flow rates determined for the current and each delinquency bucket.

Restructured loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment, credit and other losses' in the statement of income.

AFS investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. The Group treats 'significant' generally as 20.00% or more and 'prolonged' greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Reinsurance assets
An impairment review is performed at each reporting period date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged against the consolidated statement of income.

Financial Guarantees
In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees on trade receivables are initially recognized in the financial statements at fair value under 'Bills and Acceptances Payable' or 'Other Liabilities'. Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service fees and commission income', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Miscellaneous expenses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service fees and commission income', when the guarantee is discharged, cancelled or has expired.

Nonlife Insurance Contract Liabilities
Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at the end of reporting

period are accounted for as provision for unearned premiums and presented as part of 'Insurance contract liabilities' in the 'Other Liabilities' section of the consolidated statement of financial position. The change in the provision for unearned premiums is taken to the consolidated statement of income in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision and IBNR losses
Outstanding claims provisions are based on the estimated ultimate cost to all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes provision for IBNR. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract is discharged or cancelled or has expired.

Liability Adequacy Test
Liability adequacy tests on life insurance contracts are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests. The adequacy of the liability on insurance contracts is tested based on the pricing assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of a new set of revised best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities.

For nonlife insurance contracts, liability adequacy tests are performed at the end of each reporting date to ensure the adequacy of insurance contract liabilities, net of related Deferred Acquisition Cost (DAC). Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Investments in Subsidiaries
Subsidiaries pertain to entities over which the Group has control. The existence and effect of potential voting rights that are currently exercisable or convertible and qualitative criteria are considered when assessing whether the Group controls another entity (see Basis of Consolidation). In the Parent Company separate financial statements, investments in subsidiaries are accounted for under equity method of accounting.

Investments in an Associate and Joint Ventures
Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in an associate are accounted for under equity method of accounting.

Under the equity method, the investments in an associate and joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associates and joint ventures. The statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. When there has been a change recognized in the investee's other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the statement of comprehensive income. Profits and losses arising from transactions between the Group and the associates are eliminated to the extent of the interest in the associates and joint ventures.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL and AFS investments, interest income is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Service fees and commission income

The Group earns fee and commission income from diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a) *Fee income earned from services that are provided over a certain period of time*
   Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees. However, commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

b) *Bancassurance fees*
   Non-refundable access fees are recognized on a straight-line basis over the term of the period of the provision of the access.

   Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

c) *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction.

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

Interchange fee and revenue from rewards redeemed
'Interchange fees' are taken up as income under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed. Consideration received is allocated between the discounts earned, interchange fee and the points earned, with the consideration allocated to the points equal to its fair value. The fair value is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. The deferred balance is included under 'Other Liabilities' in the statement of financial position.

Commissions earned on credit cards
Commissions earned are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to 'Unearned and other deferred income' and is shown as a deduction from 'Loans and Receivables' in the statement of financial position. The unearned and other deferred income is taken up to income over the installment terms and is computed using the effective interest method.

Commission earned on reinsurance
Reinsurance commissions are recognized as revenue over the period of the contracts using the 24^{th} method except for marine cargo where the provision for unearned premiums pertain to the premiums for the last months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as 'Insurance contract liabilities.'

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Trading and investment securities gains - net
'Trading and investment securities gains - net' includes results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVPL and gains and losses from disposal of AFS investments.

Rental income
Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statement of income under ‘Miscellaneous income’.

Income on direct financing leases and receivables financed
Income of the Group on loans and receivables financed is recognized using the effective interest method.

Unearned discounts included under ‘Unearned and other deferred income’ which are amortized over the term of the note or lease using the effective interest method consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Premiums revenue
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at end of reporting period are accounted for as provision for unearned premiums and presented as part of ‘Other Liabilities’ in the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at the end of the reporting periods are accounted for as deferred reinsurance premiums shown as part of ‘Other Assets’ in the consolidated statement of financial position. The net changes in these accounts between ends of the reporting periods are credited to or charged against the consolidated statement of income for the period.

Other income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and when the collectability of the sales price is reasonably assured.

Expenses
Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Expenses are recognized when incurred.

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Policy Loans
Policy loans included under loans and receivables are carried at their unpaid balances plus accrued interest and are fully secured by the policy values on which the loans are made.

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. When claims are paid, such reinsurance assets are reclassified to 'Accounts receivable'.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as 'Other Liabilities' in the consolidated statement of financial position will be withheld and recognized as Funds held for reinsurers and included as part of the 'Other Liabilities' in the consolidated statement of financial position. The amount withheld is generally released after a year.

Deferred Acquisition Cost
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized using the 24^{th}method except for marine cargo where the DAC pertains to the commissions for the last two months of the year. Amortization is charged to 'Service fees and commission expense' in the consolidated statement of income. The unamortized acquisition costs are shown as 'Deferred acquisition costs' in the assets section of the consolidated statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged to the consolidated statement of income. The DAC is also considered in the liability adequacy test for each reporting period.

Property and Equipment
Land is stated at cost less any impairment in value and depreciable properties such as buildings, long-term leasehold land, leasehold improvements, and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Long-term leasehold land is amortized over the term of the lease. Leasehold improvements are amortized over lease term and the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The estimated useful lives follow:

	Years
Buildings	25 - 50
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the period the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be reliably measured in which case the investment property acquired is measured at the carrying amount of asset given up. Any gain or loss on exchange is recognized in the statement of income under 'Net gain on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment Properties' upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and any impairment in value.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the depreciable investment properties ranging from 10 to 25 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Group applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Software costs
Software costs, included in 'Intangible Assets', are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over five years on a straight-line basis. The estimated useful life and the amortization method are reviewed periodically to ensure that the period and the method of amortization are consistent with the expected pattern of economic benefits from the software. Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Customer relationship and core deposit intangibles
Customer relationship intangibles (CRI) and core deposit intangibles (CDI) are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposit are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the commercial loans business is amortized on a straight-line basis over its useful life of 3 years while core deposit is amortized on a straight-line basis over its useful life of 10 years.

<u>Impairment of Nonfinancial Assets</u>
Property and equipment, investment properties, intangible assets and other properties acquired
At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangibles and other properties acquired with finite useful lives may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such reversal, the depreciation and amortization expense is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Investments in subsidiaries and an associate
The Parent Company assesses at each reporting date whether there is any indication that its investments in subsidiaries and an associate may be impaired. If any impairment indication exists, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and Equipment' account with the corresponding liability to the lessor included in 'Other Liabilities' account. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and Receivables' account. A lease receivable is recognized at an amount equivalent to the net investment (asset cost) in the lease. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the statement of income on a straight line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Residual Value of Leased Assets and Deposits on Finance Leases
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Retirement Benefits
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling, if any. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than twelve months after the reporting date, the estimated liability is actuarially determined and reported under 'Accrued Taxes, Interest and Other Expenses' in the statement of financial position.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in OCI are also recognized in OCI and not in the statement of income.

In the consolidated financial statements, deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Parent Company Shares Held by a Subsidiary
Own equity instruments which are acquired by subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Earnings per Share
Basic earnings per share (EPS) is computed by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any. Diluted EPS is calculated by dividing the aggregate of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period adjusted for the effects of any dilutive shares.

Dividends
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Parent Company and subsidiaries. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Share-based Payment
Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognized in "Compensation and fringe benefits", together with a corresponding increase in equity (other capital reserves), over the period in which the service is fulfilled. The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method calculated in accordance with PAS 39 that the Group incurs in connection with borrowing of funds.

Events after the Reporting Date
Any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital Paid in Excess of Par Value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital Paid in Excess of Par Value' account. If the 'Capital Paid in Excess of Par Value' is not sufficient, the excess is charged against the 'Surplus'.

'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

Equity Reserves
The reserves recorded in equity in the statement of financial position include:

'Remeasurement Losses on Retirement Plan' which pertains to remeasurement comprising actuarial losses on the present value of the retirement obligation, net of return on plan assets.

'Accumulated Translation Adjustment' which is used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e. overseas branches and subsidiaries) to Philippine peso.

'Net Unrealized Gain (Loss) on Available-for-Sale Investments' reserve which comprises changes in fair value of AFS investments.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

Effective beginning on or after January 1, 2017

PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)* (Amendments)
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

PAS 7, *Statement of Cash Flows, Disclosure Initiative* (Amendments)
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments)
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions* (Amendments)
The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4* (Amendments)
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The Group is assessing which approach it will use and the potential impact of the chosen approach in its consolidated financial statements.

PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of adopting this standard.

PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)* (Amendments)
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

PAS 40, *Investment Property, Transfers of Investment Property* (Amendments)
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. **Significant Accounting Judgments and Estimates**

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
(a) Leases
<u>Operating leases</u>
Group as lessee
The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

<u>Finance leases</u>
Group as lessor
The Group, as lessor, has entered into lease arrangements on real estate, various machineries and other types of equipment. The Group has determined that it transfers all the significant risks and rewards of ownership of these properties and so accounts for these leases as finance lease.

(b) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models (Note 5). The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(c) Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 35).

(d) Functional currency

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

(e) Assessment of control over entities for consolidation

Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of the investee or rights arising from other contractual arrangements which give power to the Parent Company over the investee to affect its returns.

The Parent Company determined that it controls Oceanic Holding (BVI) Ltd. (OHBVI) through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

(f) Assessment of joint control

The Parent Company has certain joint arrangements with real estate companies for the development of its investment properties into residential/condominium units. In assessing joint control over these investees, the Parent Company assesses whether all the parties collectively control the arrangement. Further, the Parent Company determines the relevant activities of the arrangement and whether decisions around relevant activities require unanimous consent. The Parent Company also considers the scope of decision-making authority of the real estate companies in accordance with their respective contractual arrangements.

The Parent Company determined that it has joint control over these joint arrangements on the basis that even though the real estate companies are the designated operators of the joint arrangement, they are still bound by the contract that establishes joint control of the undertaking and they can only act in accordance with the authorities granted to them under the joint venture agreement.

(g) *Sale of Allianz-PNB Life Insurance, Inc.(APLII)*
Pursuant to the sale of APLII under a share purchase agreement, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, over a period of 15 years.

The Group has determined based on its evaluation that the share purchase agreement and distribution agreement have provisions referring to one another; making the distribution agreement an integral component of the sale transaction. Accordingly, the consideration received by the Parent Company was allocated between the sale of its ownership interest in APLII and the Exclusive Distribution Right (see Note 12).

Estimates

(a) *Credit losses on loans and receivables*
The Group reviews its impaired loans and receivables on a quarterly basis to assess whether additional provision for credit losses should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of required allowance. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The Group takes into account the latest available information of the borrower's financial condition, industry risk and market trends.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. For the purpose of a collective impairment, loans and receivables are grouped on the basis of their credit risk characteristics such as internal credit risk rating, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group.

Refer to Notes 10 and 15 for the carrying values of loans and receivables and receivable from SPVs, respectively.

(b) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of

deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group and Parent Company's estimates of future taxable income indicate that certain temporary differences will be realized in the future. The amounts of recognized and unrecognized deferred tax assets are disclosed in Note 31.

(c) *Present value of retirement obligation*
The cost of defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases was based on the Group's policy taking into account the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 29.

(d) *Impairment of nonfinancial assets - property and equipment, investments in subsidiaries and an associate, investment properties, other properties acquired and intangibles*
The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries and associate include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its nonfinancial assets (e.g., investment properties, property and equipment, other acquired properties and intangibles) and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset or group of assets being assessed.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties, goodwill and intangible assets and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15.

(e) *Impairment of goodwill*
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support their carrying value. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the relevant CGUs. Average growth rate is derived from the long-term Philippine growth rate. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of value-in-use are sensitive to estimates of future cash flows from business, interest margin, discount rate and long-term growth rate used to project cash flows.

The carrying values of the Group's goodwill and key assumptions used in determining value-in-use are disclosed in Note 14.

(f) *Valuation of insurance contracts*
Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty.

Nonlife insurance contract liabilities are not discounted for the time value of money.
The main assumption underlying the estimation of the claims provision is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analyzed by accident years as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

(g) *Determination of fair value of shares of APLII and Exclusive Distribution Rights (EDR)*
The Group determined the fair value of the shares of APLII using a combination of the Income Approach and the Market Approach. The Income Approach was based on the present value of the future cash flows over a three-year period, adjusted for the control premium and the lack of marketability discount. Significant management judgment is required to determine the expected future cash flows. The valuation under the Income Approach is most sensitive to discount rate and growth rate used to project cash flows.

The Market Approach involved determining the price to book value of selected publicly traded companies that have been identified to be comparable to PLII such as those with similar business activities and product offerings. The price to book value are then subjected to a control premium and lack of marketability discount.

The fair value of the Exclusive Distribution Right was determined using the Market Approach where it involved identifying recent bancassurance agreements with upfront payments from publicly available data of comparable companies. Using the amount of upfront payment fee, the number of branches and customers, a value per branch and value per customer multiple were determined.

4. Financial Risk Management Objectives and Policies

Introduction

The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either an ₱8.0 billion increase in risk weighted assets or a ₱1.0 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 bps.

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2017-2019, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP Document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:
1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk

8. Strategic Business Risk
9. Cyber Security Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:

- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector and remedial sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Parent Company in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify the following:
  a. portfolio growth
  b. movement of loan portfolio (cash releases and cash collection for the month)
  c. loss rate
  d. recovery rate

e. trend of nonperforming loans (NPLs)
f. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Parent Company collects data on risk rating of loan borrowers with an asset size of ₱15.0 million and above as initial requirement in the Parent Company's model for internal Probability of Default (PD) and Loss Given Default (LGD).

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan.

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company.

To mitigate this risk the Parent Company requires hard collaterals, as discussed under *Collateral and other credit enhancement*, for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Unit-linked financial assets
The Group issues unit-linked insurance policies. In the unit-linked business, the policy holder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Sector which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2016			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under repurchase agreement	**₱1,972,310**	**₱1,968,603**	**₱3,707**	**₱1,968,603**
Loans and receivables:				
Receivable from customers*:				
Business loans	**345,154,387**	**275,990,051**	**276,724,626**	**68,429,761**
Consumers	**41,224,688**	**24,791,559**	**28,463,760**	**12,760,928**
GOCCs and National Government Agencies (NGAs)	**19,897,037**	**25,594,651**	**3,089,179**	**16,807,858**
LGUs	**7,335,499**	**1,053,132**	**6,806,185**	**529,314**
Fringe benefits	**588,092**	**743,271**	**291,754**	**296,338**
Unquoted debt securities	**6,972,710**	**2,789,063**	**4,125,801**	**2,789,063**
Other receivable	**21,039,980**	**10,745,528**	**15,156,530**	**5,883,450**
	₱444,184,703	**₱343,675,858**	**₱334,661,542**	**₱109,465,315**

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated			
	2015			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under repurchase agreement	₱14,550,000	₱14,516,223	₱33,777	₱14,516,223
Loans and receivables:				
Receivable from customers*:				
Business loans	290,095,409	251,693,476	232,049,711	58,045,698
Consumers	33,615,950	46,755,806	15,652,016	17,963,934
GOCCs and NGAs	23,037,919	27,561,404	3,941,304	19,096,615
LGUs	7,792,655	1,430,738	7,050,998	741,657
Fringe benefits	552,079	829,780	246,613	305,466
Unquoted debt securities	4,245,069	3,434,914	810,155	3,434,914
Other receivable	19,101,758	8,553,573	14,856,651	4,245,107
	₱392,990,839	₱354,775,914	₱274,641,225	₱118,349,614

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Parent Company			
	2016			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under repurchase agreement	**₱1,972,310**	**₱1,968,603**	**₱3,707**	**₱1,968,603**
Loans and receivables:				
Receivable from customers:				
Business loans	**332,783,948**	**255,205,029**	**273,830,642**	**58,953,306**
Consumers	**9,988,258**	**3,059,479**	**8,357,123**	**1,631,135**
GOCCs and NGAs	**19,897,036**	**25,594,651**	**3,089,179**	**16,807,857**
LGUs	**7,335,499**	**1,053,132**	**6,806,185**	**529,314**
Fringe benefits	**560,828**	**734,575**	**283,164**	**277,664**
Unquoted debt securities	**6,914,864**	**2,789,063**	**4,125,801**	**2,789,063**
Other receivable	**14,750,427**	**10,743,494**	**9,124,573**	**5,625,854**
	₱394,203,170	**₱301,148,026**	**₱305,620,374**	**₱88,582,796**

	Parent Company			
	2015			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under repurchase agreement	₱14,550,000	₱14,516,223	₱33,777	₱14,516,223
Loans and receivables:				
Receivable from customers				
Business loans	277,692,524	231,128,278	232,161,031	45,531,493
Consumers	14,033,577	25,514,598	6,384,992	7,648,585
GOCCs and NGAs	23,037,919	27,561,404	3,941,304	19,096,615
LGUs	7,792,655	1,430,738	7,050,998	741,657
Fringe benefits	538,887	820,321	242,878	296,009
Unquoted debt securities	4,245,069	3,434,914	810,155	3,434,914
Other receivable	13,820,335	8,544,352	9,584,448	4,235,887
	₱355,710,966	₱312,950,828	₱260,209,583	₱95,501,383

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 35 to the financial statements.

Excessive risk concentration
Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty
   For loans and receivables, the Parent Company sets an internal limit for group exposures which is equivalent to 100.00% of the single borrower's limit (SBL) for loan accounts with credit risk rating (CRR) 1 to CRR 5 or 50.00% of SBL if rated below CRR 5.

   For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration
   The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated			
	2016			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱388,503,018**	**₱78,723,534**	**₱131,622,446**	**₱598,848,998**
Asia (excluding the Philippines)	**18,430,743**	**12,716,017**	**18,211,900**	**49,358,660**
USA and Canada	**15,315,893**	**202,939**	**4,302,151**	**19,820,983**

(Forward)

	Consolidated			
	2016			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Other European Union Countries	**₱1,425,522**	**₱942,855**	**₱4,643,448**	**₱7,011,825**
Oceania	**3,594,610**	**–**	**–**	**3,594,610**
United Kingdom	**42,086**	**843,737**	**1,568,364**	**2,454,187**
Middle East	**7,707**	**–**	**31,042**	**38,749**
	₱427,319,579	**₱93,429,082**	**₱160,379,351**	**₱681,128,012**

* *Loans and receivables exclude residual value of the leased asset (Note 10).*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Consolidated			
	2015			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱346,480,786	₱76,378,062	₱98,334,288	₱521,193,136
Asia (excluding the Philippines)	17,732,943	12,884,161	14,081,917	44,699,021
USA and Canada	776,838	957,062	5,079,342	6,813,242
Other European Union Countries	–	5,725,103	1,640,140	7,365,243
United Kingdom	20,893	139,178	1,156,311	1,316,382
Middle East	1,365	–	12,108	13,473
	₱365,012,825	₱96,083,566	₱120,304,106	₱581,400,497

* *Loans and receivables exclude residual value of the leased asset (Note 10).*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company			
	2016			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱366,510,639**	**₱77,371,752**	**₱127,423,155**	**₱571,305,547**
Asia (excluding the Philippines)	**11,011,491**	**12,715,714**	**10,154,230**	**33,881,435**
USA and Canada	**–**	**843,276**	**4,053,526**	**4,896,802**
Oceania	**668,901**	**–**	**4,135,016**	**4,803,917**
Other European Union Countries	**–**	**843,737**	**1,244,950**	**2,088,687**
Middle East	**7,707**	**–**	**31,042**	**38,749**
United Kingdom		**225**	**–**	**225**
	₱378,198,738	**₱91,774,704**	**₱147,041,919**	**₱617,015,362**

* *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company			
	2015			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱319,220,646	₱74,835,244	₱94,995,277	₱489,051,167
Asia (excluding the Philippines)	8,509,086	12,883,954	9,035,854	30,428,894
USA and Canada	569,141	862,708	4,801,070	6,232,919
Other European Union Countries	–	5,725,103	1,639,322	7,364,425
Middle East	1,365	–	12,108	13,473
United Kingdom	–	58,250	814,433	872,683
	₱328,300,238	₱94,365,259	₱111,298,064	₱533,963,561

* *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

c. Concentration by Industry
The tables below shows the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated			
	2016			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*** **	**Total**
Primary target industry:				
Financial intermediaries	**₱60,774,307**	**₱10,066,253**	**₱30,506,854**	**₱101,347,414**
Wholesale and retail	**63,358,584**	**26**	**8,772**	**63,367,382**
Electricity, gas and water	**49,857,988**	**4,771,740**	**5,469**	**54,635,197**
Transport, storage and communication	**38,352,051**	**7,249,511**	**1,286**	**45,602,848**
Manufacturing	**40,987,080**	**496,529**	**71**	**41,483,680**
Public administration and defense	**23,289,595**	**–**	**411**	**23,290,006**
Agriculture, hunting and forestry	**5,970,524**	**–**	**–**	**5,970,524**
Secondary target industry:				
Government	**625,802**	**63,321,206**	**129,310,255**	**193,257,263**
Real estate, renting and business activities	**67,321,221**	**6,814,681**	**50,343**	**74,186,245**
Construction	**18,249,762**	**99,939**	**1,070**	**18,350,771**
Others**	**58,532,665**	**609,197**	**494,820**	**59,636,682**
	₱427,319,579	**₱93,429,082**	**₱160,379,351**	**₱681,128,012**

* *Loans and receivables exclude residual value of the leased asset (Note 10).*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated			
	2015			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱38,776,292	₱8,420,062	₱24,088,110	₱71,284,464
Wholesale and retail	50,575,572	–	5,579	50,581,151
Electricity, gas and water	49,526,664	1,799,906	3,591	51,330,161
Transport, storage and communication	28,872,881	1,661	599	28,875,141
Manufacturing	40,697,028	30,611	27	40,727,666
Public administration and defense	25,294,475	–	–	25,294,475
Agriculture, hunting and forestry	5,996,258	–	75	5,996,333
Secondary target industry:				
Government	625,802	72,457,525	95,913,444	168,996,771
Real estate, renting and business activities	43,751,147	5,488,738	27,671	49,267,556
Construction	11,516,779	–	371	11,517,150
Others**	69,379,927	7,885,063	264,639	77,529,629
	₱365,012,825	₱96,083,566	₱120,304,106	₱581,400,497

* *Loans and receivables exclude residual value of the leased asset (Note 10)*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2016			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱59,963,399**	**₱9,976,639**	**₱20,744,821**	**₱90,684,859**
Wholesale and retail	**56,592,495**	**26**	**8,772**	**54,403,614**
Electricity, gas and water	**49,626,635**	**4,771,510**	**5,469**	**56,601,293**
Transport, storage and communication	**34,052,933**	**7,150,623**	**1,286**	**41,204,842**
Manufacturing	**35,104,381**	**496,529**	**71**	**35,600,981**
Public administration and defense	**23,915,397**	**–**	**411**	**23,915,808**
Agriculture, hunting and forestry	**4,922,200**	**–**	**–**	**4,922,200**
Secondary target industry:				
Government	**–**	**62,372,155**	**125,772,346**	**188,144,501**
Real estate, renting and business activities	**51,294,655**	**6,721,508**	**50,343**	**58,066,506**
Construction	**14,488,232**	**99,939**	**1,070**	**14,589,241**
Others*	**48,238,411**	**185,775**	**457,830**	**48,882,016**
	₱378,198,738	**₱91,774,704**	**₱147,042,419**	**₱617,015,861**

* *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company			
	2015			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱38,440,318	₱8,173,172	₱17,409,518	₱64,023,008
Wholesale and retail	46,788,392	–	5,579	46,793,971
Electricity, gas and water	49,463,182	1,799,906	3,591	51,266,679
Transport, storage and communication	27,034,887	1,661	599	27,037,147
Manufacturing	37,203,799	30,611	27	37,234,437
Public administration and defense	25,294,475	–	–	25,294,475
Agriculture, hunting and forestry	5,519,770	–	75	5,519,845
Secondary target industry:				
Government	625,802	71,244,398	93,753,948	165,624,148
Real estate, renting and business activities	36,160,266	5,488,738	27,671	41,676,675
Construction	9,793,549	–	371	9,793,920
Others*	51,975,798	7,626,773	216,319	59,818,890
	₱328,300,238	₱94,365,259	₱111,417,698	₱534,083,195

* *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

The internal limit of the Parent Company based on the Philippine Standard Industry Classification (PSIC) sub-industry is 12.00% for priority industry, 8.00% for regular industry and 30.00% for power industry versus total loan portfolio.

Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings. For receivable from customers classified as business loans, the credit quality is generally monitored using the 14-grade CRR System which is integrated in the credit process particularly in loan pricing and allocation of valuation reserves. The model on risk ratings is assessed and updated regularly.

Validation of the individual internal risk rating is conducted by the Credit Management Division to maintain accurate and consistent risk ratings across the credit portfolio. The rating system has two parts, namely, the borrower's rating and the facility rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information such as industry outlook and market competition to provide the main inputs for the measurement of credit or counterparty risk.

Loans and Receivables
The CRRs of the Parent Company's Receivables from customers (applied to loans with asset size of ₱15.0 million and above) are defined below:

CRR 1 - Excellent
Loans receivables rated as excellent include borrowers which are significant in size, with long and successful history of operations, an industry leader, with ready access to all equity and debt markets and have proven its strong debt service capacity.

CRR 2 - Super Prime
Loans receivables rated as super prime include borrowers whose ability to service all debt and meet financial obligations remains unquestioned.

CRR 3 - Prime
Under normal economic conditions, borrowers in this rating have good access to public market to raise funds and face no major uncertainties which could impair repayment.

CRR 4 - Very Good
Loans receivables rated as very good include borrowers whose ability to service all debts and meet financial obligations remain unquestioned, but current adverse economic conditions or changing circumstances have minimal impact on payment of obligations.

CRR 5 - Good
Loans receivables rated as good include borrowers with good operating history and solid management, but payment capacity could be vulnerable to adverse business, financial or economic conditions.

CRR 6 - Satisfactory
These are loans receivables to borrowers whose ability to service all debt and meet financial obligations remains unquestioned, but with somewhat lesser capacity than in CRR 5 accounts.

CRR 7 - Average
These are loans receivables to borrowers having ability to repay the loan in the normal course of business activity, although may not be strong enough to sustain a major setback.

CRR 8 - Fair
These are loans receivables to borrowers possessing the characteristics of borrowers rated as CRR7 with slightly lesser quality in financial strength, earnings, performance and/or outlook.

CRR 9 - Marginal
These are performing loans receivables from borrowers not qualified as CRRs 1-8. The borrower is able to withstand normal business cycles, although any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

CRR 10 - Watchlist
This rating includes borrower where the credit exposure is not at risk of loss at the moment but the performance of the borrower has weakened and, unless present trends are reversed, could eventually lead to losses.

CRR 11 - Special Mention
These are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Parent Company.

CRR 12 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics.

CRR 13 - Doubtful
These are loans or portions thereof which have the weaknesses inherent in those classified as CRR 12 with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

CRR 14 - Loss
These are loans or portions thereof which are considered uncollectible or worthless.

The Parent Company uses credit scoring for evaluating borrowers with assets size below ₱15.0 million. Credit scoring details the financial capability of the borrower to pay for any future obligation.

GOCCs and LGUs are rated using the "means and purpose" test whereby borrowers have to pass the two major parameters, namely:

- "Means" test - the borrower must have resources or revenues of its own sufficient to service its debt obligations.
- "Purpose" test - the loan must be obtained for a purpose consistent with the borrower's general business.

LGU loans are backed-up by assignment of Internal Revenue Allotment. Consumer loans are covered by mortgages in residential properties and vehicles financed and guarantees from Home Guaranty Corporation. Fringe benefit loans are repaid through automatic salary deductions and exposure is secured by mortgage on house or vehicles financed.

The table below shows the Group's and Parent Company's receivable from customers, gross of allowance for credit losses and unearned and other deferred income, for each CRR as of December 31, 2016 and 2015, but net of residual values of leased assets.

	Consolidated			
	2016			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivable from Customers				
1 – Excellent	**₱9,426,928**	**₱791**	**₱–**	**₱9,427,719**
2 - Super Prime	**50,660,171**	**–**	**–**	**50,660,171**
3 – Prime	**81,566,409**	**–**	**–**	**81,566,409**
4 - Very Good	**46,455,179**	**–**	**–**	**46,455,179**
5 - Good	**28,223,428**	**–**	**–**	**28,223,428**
6 - Satisfactory	**37,118,762**	**33,674**	**–**	**37,152,436**
7 - Average	**26,039,398**	**5,085**	**–**	**26,044,483**
8 - Fair	**21,057,009**	**–**	**–**	**21,057,009**
9 - Marginal	**5,855,663**	**–**	**–**	**5,855,663**
10 - Watchlist	**44,135,681**	**5,346**	**–**	**44,141,027**
11 - Special Mention	**2,786,219**	**78,861**	**148,981**	**3,014,061**
12 - Substandard	**776,933**	**484,029**	**610,813**	**1,871,775**
13 - Doubtful	**5,890**	**113,428**	**413,634**	**532,952**
14 - Loss	**3,203**	**655,932**	**3,502,163**	**4,161,298**
	354,110,873	**1,377,146**	**4,675,591**	**360,163,610**
Unrated Receivable from Customers				
Consumers	**37,548,926**	**802,828**	**27,440**	**38,379,194**
Business Loans	**8,026,179**	**465,016**	**567,575**	**9,058,770**
LGUs	**7,196,440**	**9,950**	**130,523**	**7,336,913**
Fringe Benefits	**560,534**	**12,484**	**–**	**573,018**
GOCCs and NGAs	**178,153**	**–**	**–**	**178,153**
	53,510,232	**1,290,278**	**725,538**	**55,526,048**
	₱407,621,105	**₱2,667,424**	**₱5,401,129**	**₱415,689,658**

	Consolidated			
	2015			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱4,090,408	₱–	₱–	₱4,090,408
2 - Super Prime	65,177,554	–	–	65,177,554
3 - Prime	55,509,700	193	–	55,509,893
4 - Very Good	29,059,432	467	–	29,059,899
5 - Good	53,997,893	159	76,066	54,074,118
6 - Satisfactory	31,701,037	8,355	85,648	31,795,040
7 - Average	19,304,040	1,260	–	19,305,300
8 - Fair	24,464,636	2,076	139,333	24,606,045
9 - Marginal	9,846,975	1,864	49,351	9,898,190
10 - Watchlist	18,884,955	89	3,000	18,888,044
11 - Special Mention	2,311,620	87,930	148,456	2,548,006
12 - Substandard	613,275	191,601	647,968	1,452,844
13 - Doubtful	–	26,301	1,306,189	1,332,490
14 - Loss	–	1,364,422	2,263,739	3,628,161
	314,961,525	1,684,717	4,719,750	321,365,992

(Forward)

	Consolidated			
	2015			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Unrated Receivable from Customers				
Consumers	₱7,943,525	₱1,398,624	₱32,199	₱9,374,348
Business Loans	15,144,231	150,695	46,282	15,341,208
GOCCs and NGAs	2,455,069	–	47,060	2,502,129
Fringe Benefits	518,923	10,725	25,994	555,642
LGUs	7,697,189	26,597	65,424	7,789,210
	33,758,937	1,586,641	216,959	35,562,537
	₱348,720,462	₱3,271,358	₱4,936,709	₱356,928,529

	Parent Company			
	2016			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivable from Customers				
1 - Excellent	**₱9,356,313**	**₱791**	**₱–**	**₱9,357,104**
2 - Super Prime	**49,664,931**	**–**	**–**	**49,664,931**
3 - Prime	**80,281,186**	**–**	**–**	**80,281,186**
4 - Very Good	**44,936,909**	**–**	**–**	**44,936,909**
5 - Good	**27,370,130**	**–**	**–**	**27,370,130**
6 - Satisfactory	**28,790,669**	**–**	**–**	**28,790,669**
7 - Average	**25,168,489**	**5,085**	**–**	**25,173,574**
8 - Fair	**20,879,402**	**–**	**–**	**20,879,402**
9 - Marginal	**5,549,401**	**–**	**–**	**5,549,401**
10 - Watchlist	**44,111,934**	**–**	**–**	**44,111,934**
11 - Special Mention	**2,695,185**	**78,861**	**–**	**2,774,046**
12 - Substandard	**716,596**	**93,764**	**96,465**	**906,825**
13 - Doubtful	**–**	**8,821**	**379,665**	**388,486**
14 - Loss	**–**	**605,299**	**3,369,191**	**3,974,490**
	339,521,145	**792,621**	**3,845,321**	**344,159,087**
Unrated Receivable from Customers				
Business Loans	**9,186,145**	**403,791**	**567,575**	**10,157,511**
Consumers	**8,658,310**	**631,265**	**15,503**	**9,305,078**
LGUs	**7,196,440**	**9,950**	**130,523**	**7,336,913**
Fringe Benefits	**533,272**	**12,484**	**–**	**545,756**
GOCCs and NGAs	**178,153**	**–**	**–**	**178,153**
	25,752,320	**1,057,490**	**713,601**	**27,523,411**
	₱365,273,465	**₱1,850,111**	**₱4,558,922**	**₱371,682,498**

	Parent Company			
	2015			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱3,944,861	₱–	₱–	₱3,944,861
2 - Super Prime	64,243,898	–	–	64,243,898
3 - Prime	54,377,704	193	–	54,377,897
4 - Very Good	27,568,487	467	–	27,568,954
5 - Good	33,868,924	159	–	33,869,083
6 - Satisfactory	23,798,683	3,019	23,432	23,825,134
7 - Average	18,649,361	1,260	–	18,650,621
8 - Fair	24,060,879	2,076	139,333	24,202,288
9 - Marginal	9,751,289	1,864	49,351	9,802,504
10 - Watchlist	17,897,858	–	3,000	17,900,858
11 - Special Mention	2,262,084	32,004	32,915	2,327,003
12 - Substandard	613,275	159,680	436,856	1,209,811
13 - Doubtful	–	15,218	1,025,278	1,040,496
14 - Loss	–	1,364,422	2,152,444	3,516,866
	281,037,303	1,580,362	3,862,609	286,480,274
Unrated Receivable from Customers				
Business Loans	17,735,218	150,695	46,282	17,932,195
Consumers	7,871,087	1,390,262	19,204	9,280,553
LGUs	7,697,189	26,597	65,424	7,789,210
Fringe Benefits	505,730	10,725	22,520	538,975
GOCCs and NGAs	2,455,069	–	47,060	2,502,129
	36,264,293	1,578,279	200,490	38,043,062
	₱317,301,596	₱3,158,641	₱4,063,099	₱324,523,336

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due. The tables below show the aging analysis of past due but not individually impaired loans receivables per class.

	Consolidated				
	2016				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱117,611**	**₱159,652**	**₱52,707**	**₱1,476,010**	**₱1,805,980**
Consumers	**235,986**	**20,222**	**8,505**	**574,297**	**839,010**
Fringe benefits	**29**	**24**	**721**	**11,710**	**12,484**
LGUs	–	–	–	**9,950**	**9,950**
Total	**₱353,626**	**₱179,898**	**₱61,933**	**₱2,071,967**	**₱2,667,424**

	Consolidated				
	2015				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱59,704	₱10,508	₱26,437	₱1,685,805	₱1,782,454
Consumers	172,194	95,601	238,854	944,934	1,451,583
Fringe benefits	904	98	1,294	8,428	10,724
LGUs	–	–	–	26,597	26,597
Total	₱232,802	₱106,207	₱266,585	₱2,665,764	₱3,271,358

	Parent Company				
	2016				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱56,339**	**₱159,451**	**₱47,404**	**₱930,506**	**₱1,193,700**
Consumers	**35,830**	**19,074**	**6,235**	**572,838**	**633,977**
Fringe benefits	**29**	**24**	**721**	**11,710**	**12,484**
LGUs	**–**	**–**	**–**	**9,950**	**9,950**
Total	**₱92,198**	**₱178,549**	**₱54,360**	**₱1,525,004**	**₱1,850,111**

	Parent Company				
	2015				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱12,079	₱9,841	₱26,437	₱1,681,269	₱1,729,626
Consumers	113,519	95,452	237,789	944,934	1,391,694
Fringe benefits	904	98	1,294	8,428	10,724
LGUs	–	–	–	26,597	26,597
Total	₱126,502	₱105,391	₱265,520	₱2,661,228	₱3,158,641

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Bank uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody’s Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, net of allowances, excluding receivable from customers, which are monitored using external ratings.

	Consolidated					
	2016					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	**₱–**	**₱–**	**₱127,337,861**	**₱127,337,861**	**₱–**	**₱127,337,861**
Due from other banks	**5,051,163**	**6,461,719**	**10,580,175**	**22,093,057**	**616,748**	**22,709,805**
Interbank loans receivables	**4,928,854**	**1,866,579**	**995,541**	**7,790,974**	**134**	**7,791,108**
Securities held under agreements to resell			**1,972,310**	**1,972,310**		**1,972,310**
Financial assets at FVPL:						
Government securities	**–**	**–**	**949,379**	**949,379**	**364,021**	**1,313,400**
Derivative assets[2/]	**43,510**	**28,097**	**9,974**	**81,581**	**337,541**	**419,122**
Private debt securities	**–**	**–**	**–**	**–**	**120,589**	**120,589**
Equity securities	**–**	**–**	**27,415**	**27,415**	**27,194**	**54,609**
Investment in unit investment trust funds (UITFs)	**–**	**–**	**6,144**	**6,144**	**–**	**6,144**
AFS investments:						
Government securities	**1,548,376**	**–**	**36,202,024**	**37,750,400**	**84,159**	**37,834,559**
Private debt securities	**4,299,497**	**2,880,154**	**4,964,387**	**12,144,038**	**16,697,032**	**28,841,070**
Quoted equity securities	**–**	**–**	**54,139**	**54,139**	**439,819**	**493,958**
Unquoted equity securities	**16,837**	**–**	**536**	**17,373**	**153,779**	**171,152**
HTM investments						
Government securities	**99,580**	**–**	**22,842,219**	**22,941,799**	**1,232,680**	**24,174,479**
Loans and receivables:						
Unquoted debt securities[3/]	**–**	**–**	**–**	**–**	**3,285,222**	**3,285,222**
Others[4/]	**–**	**–**	**–**	**–**	**18,208,225**	**18,208,225**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).

[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).

[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

[5/] As of December 31, 2016 and 2015, financial assets that are unrated are neither past due nor impaired.

	Consolidated					
	2015					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱81,363,444	₱81,363,444
Due from other banks	5,973,964	3,770,982	7,700,508	17,445,454	841,854	18,287,308
Interbank loans receivables	1,814,131	3,525,011	461,192	5,800,334	49	5,800,383
Securities held under agreements to resell	–	–	–	–	14,550,000	14,550,000
Financial assets at FVPL:						
Government securities	–	–	3,723,377	3,723,377	244,837	3,968,214
Derivative assets[2/]	12,391	10,458	35,242	58,091	123,257	181,348
Private debt securities	–	–	113,196	113,196	30,604	143,800
Equity securities	–	–	69	69	199,853	199,922
Investment in Unit Investment Trust Funds (UITFs)	–	–	–	–	17,261	17,261
AFS investments:						
Government securities	1,829,038	–	28,625,851	30,454,889	14,805,508	45,260,397
Private debt securities	3,320,989	397,000	10,938,756	14,656,745	7,596,235	22,252,980
Quoted equity securities	–	–	203,182	203,182	450,749	653,931
Unquoted equity securities	–	–	508	508	173,208	173,716
HTM investments						
Government securities	94,354	4,706	23,132,937	23,231,997	–	23,231,997

(Forward)

	Consolidated					
	2015					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Loans and receivables:						
Unquoted debt securities[3/]	₱–	₱–	₱75,394	₱75,394	₱550,408	₱625,802
Others[4/]	–	–	–	–	15,923,079	15,923,079

[1/] ‘Due from BSP’ is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
[5/] As of December 31, 2016 and 2015, financial assets that are unrated are neither past due nor impaired.

	Parent Company					
	2016					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[5/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱123,799,952**	**₱123,799,952**	**₱–**	**₱123,799,952**
Due from other banks	**4,849,575**	**5,877,522**	**1,564,859**	**12,291,956**	**539,558**	**12,831,514**
Interbank loans receivables	**4,928,854**	**1,866,579**	**995,541**	**7,790,974**	**116,392**	**7,907,366**
Securities held under agreements to resell	**–**	**–**	**1,972,310**	**1,972,310**	**–**	**1,972,310**
Financial assets at FVPL:						
Government securities	**–**	**–**	**949,379**	**949,379**	**364,021**	**1,313,400**
Derivative assets[2/]	**43,510**	**28,097**	**9,974**	**81,581**	**337,238**	**418,819**
Private debt securities	**–**	**–**	**–**	**–**	**120,589**	**120,589**
Equity securities	**–**	**–**	**69**	**69**	**27,194**	**27,263**
AFS investments:						
Government securities	**730,311**	**–**	**36,170,619**	**36,900,930**	**–**	**36,900,930**
Private debt securities	**3,835,425**	**2,880,154**	**4,912,596**	**11,628,175**	**16,697,032**	**28,325,207**
Quoted equity securities	**–**	**–**	**–**	**–**	**439,819**	**439,819**
Unquoted equity securities	**–**	**–**	**–**	**–**	**153,779**	**153,779**
HTM investments						
Government securities	**–**	**–**	**22,842,219**	**22,842,219**	**1,232,679**	**24,074,898**
Loans and receivables:						
Unquoted debt securities[3/]	**–**	**–**	**–**	**–**	**3,227,376**	**3,227,376**
Others[4/]	**–**	**–**	**–**	**–**	**12,268,647**	**12,268,647**

[1/] ‘Due from BSP’ is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
[5/]As of December 31, 2016 and 2015, financial assets that are unrated are neither past due nor impaired.

	Parent Company					
	2015					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱79,203,948	₱79,203,948
Due from other banks	5,856,006	3,770,856	981,857	10,608,719	841,854	11,450,573
Interbank loans receivables	1,814,131	3,525,011	461,192	5,800,334	158,192	5,958,526
Securities held under agreements to resell	–	–	–	–	14,550,000	14,550,000
Financial assets at FVPL:						
Government securities	–	–	3,723,377	3,723,377	244,837	3,968,214
Derivative assets[2/]	12,228	10,415	35,242	57,885	123,257	181,142
Private debt securities	–	–	113,197	113,197	30,603	143,800
Equity securities	–	–	69	69	199,639	199,708

(Forward)

	Parent Company					
	2015					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
AFS investments:						
Government securities	₱727,525	₱–	₱28,542,175	₱29,269,700	₱14,805,509	₱44,075,209
Private debt securities	3,222,933	397,000	10,819,417	14,439,350	7,596,235	22,035,585
Quoted equity securities	–	–	–	–	450,749	450,749
Unquoted equity securities	–	–	–	–	173,209	173,209
HTM investments						
Government securities	–	4,706	23,132,937	23,137,643	–	23,137,643
Loans and receivables:						
Unquoted debt securities[3/]	–	–	75,394	75,394	550,408	625,802
Others[4/]	–	–	–	–	10,943,494	10,943,494

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
[5/]As of December 31, 2016 and 2015, financial assets that are unrated are neither past due nor impaired.

Impairment assessment
The Group recognizes impairment or credit losses based on the results of specific (individual) and collective assessment of its credit exposures. A possible impairment has taken place when there are presence of known difficulties in the payment of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment or credit losses include:

a. Specific (individual) assessment
   The Group assesses each individually significant credit exposure or advances for any objective evidence of impairment.

   Among the items and factors considered by the Group when assessing and measuring specific impairment/credit allowances are:

   - the going concern of the borrower's business;
   - the ability of the borrower to repay its obligations during financial crises;
   - the projected receipts or expected cash flows;
   - the availability of other sources of financial support;
   - the existing realizable value of collateral; and
   - the timing of the expected cash flows.

   The impairment or credit allowances, if any, are evaluated every quarter or as the need arise in view of favorable or unfavorable developments.

b. Collective assessment
   Loans and advances that are not individually significant (e.g., credit cards, housing loans, car loans, development incentives loans, fringe benefit loans) and individually significant loans and advances where there is no apparent evidence of individual impairment are collectively assessed for impairment. A particular portfolio is reviewed every quarter to determine its corresponding appropriate allowances.

Impairment losses are estimated by taking into consideration the following information:

- historical losses of the portfolio;
- current adverse economic conditions that have direct impact on the portfolio; and
- expected receipts and recoveries once impaired.

Refer to Note 16 for the detailed information on the allowance for credit losses on loans and receivables and other financial assets.

Liquidity Risk and Funding Management
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated					
	2016					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱11,014,663	₱–	₱–	₱–	₱–	₱11,014,663
Due from BSP and other banks	150,054,162	–	–	–	–	150,054,162
Interbank loans receivable	6,487,756	1,005,602	149,965	150,626	–	7,793,949
Securities under agreements to resell	1,972,803	–	–	–	–	1,972,803
Financial assets at FVPL:						
Held-for-trading:						
Government securities	1,318,421	–	–	–	–	1,318,421
Private debt securities	121,166	–	–	–	–	121,166
Equity securities	54,609	–	–	–	–	54,609
Derivative assets:						
Gross contractual receivable	23,134,620	602,481	363,065	97,557	945,345	25,143,068
Gross contractual payable	(23,027,112)	(602,494)	(359,977)	(81,868)	(652,495)	(24,723,946)
	107,508	(13)	3,088	15,689	292,850	419,122
Designated at FVPL						
Investment in UITFs	6,144	–	–	–	–	6,144
AFS investments:						
Government securities	445,411	1,360,270	833,280	952,375	44,483,507	48,074,843
Private debt securities	216,349	180,604	311,691	608,101	33,527,569	34,844,314
Equity securities	–	–	–	–	665,898	665,898
HTM investments:						
Government securities	186,669	188,619	268,121	638,758	42,326,085	43,608,252
Loans and receivables:						
Receivables from customers	51,281,982	61,017,482	22,991,722	21,982,567	322,823,346	480,097,099
Unquoted debt securities	57,846	2,731,616	2,910	2,904	4,211,082	7,006,358
Other receivables	7,747,353	689,651	1,608,947	329,549	12,234,095	22,609,595
Other assets	458,636	1,601	2,512	19,799	85,719	568,267
Total financial assets	₱231,531,478	₱67,175,432	₱26,172,236	₱24,700,368	₱460,650,151	₱810,229,665
Financial Liabilities						
Deposit liabilities:						
Demand	₱117,329,019	₱–	₱–	₱–	₱–	₱117,329,019
Savings	291,611,443	31,169,095	12,960,373	18,753,987	15,868,774	370,363,672
Time	23,861,628	17,470,857	8,226,400	6,371,654	33,651,214	89,581,753
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	4,266,633	1,032,083	338,061	97,308	794,951	6,529,036
Gross contractual receivable	(4,258,623)	(1,027,751)	(336,280)	(84,515)	(589,035)	(6,296,204)
	8,010	4,332	1,781	12,793	205,916	232,832
Bills and acceptances payable	14,828,488	1,107,665	4,390,454	5,074,742	12,967,428	38,368,777
Subordinated debt	–	51,406	51,406	102,812	4,425,308	4,630,932
Accrued interest payable and accrued other expenses payable	585,761	232,935	247,614	619,526	–	1,685,836
Other liabilities	19,114,919	57,012	58,421	11,756	1,483,085	20,725,193
Total financial liabilities	₱467,339,268	₱50,093,302	₱25,936,449	₱30,947,270	₱68,601,725	₱642,918,014

	Consolidated 2015					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱15,220,536	₱–	₱–	₱–	₱–	₱15,220,536
Due from BSP and other banks	99,653,689	–	–	–	–	99,653,689
Interbank loans receivable	5,384,320	416,335	2	–	–	5,800,657
Securities held under agreements to resell	14,583,112	–	–	–	–	14,583,112
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,979,182	–	–	–	–	3,979,182
Private debt securities	143,800	–	–	–	–	143,800
Equity securities	199,922	–	–	–	–	199,922
Derivative assets:						
Gross contractual receivable	16,817,945	2,059,068	28,125	41,474	348,870	19,295,482
Gross contractual payable	(16,752,755)	(2,040,301)	(18,692)	(27,122)	(275,264)	(19,114,134)
	65,190	18,767	9,433	14,352	73,606	181,348
Designated at FVPL:						
Investment in UITFs	17,261	–	–	–	–	17,261
AFS investments:						
Government securities	1,059,295	520,629	951,709	1,001,232	56,959,465	60,492,330
Private debt securities	183,767	534,094	307,439	11,562	27,717,072	28,753,934
Equity securities	–	–	–	–	827,647	827,647
HTM investments:						
Government securities	180,144	180,557	258,803	678,216	38,629,314	39,927,034
Loans and receivables:						
Receivables from customers	66,383,185	52,578,247	14,540,326	22,197,081	271,348,146	427,046,985
Unquoted debt securities	–	944	7,228	76,792	4,178,634	4,263,598
Other receivables	2,726,391	573,776	1,451,743	346,294	14,761,243	19,859,447
Other assets	247,521	2,300	1,405	1,141	50,605	302,972
Total financial assets	₱210,027,315	₱54,825,649	₱17,528,088	₱24,326,670	₱414,545,732	₱721,253,454
Financial Liabilities						
Deposit liabilities:						
Demand	₱110,029,680	₱–	₱–	₱–	₱–	₱110,029,680
Savings	260,880,163	25,250,869	11,251,179	5,732,360	13,745,867	316,860,438
Time	14,063,900	9,319,023	6,449,528	3,815,186	27,445,340	61,092,977
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	5,543,024	2,890,536	255,308	41,235	283,752	9,013,855
Gross contractual receivable	(5,500,389)	(2,829,870)	(246,017)	(27,122)	(275,264)	(8,878,662)
	42,635	60,666	9,291	14,113	8,488	135,193
Bills and acceptances payable	4,075,366	1,437,194	89,661	538,023	20,204,285	26,344,529
Subordinated debt	–	161,094	161,094	102,813	10,102,813	10,527,814
Accrued interest payable and accrued other expenses payable	1,019,379	158,692	17,574	23,423	1,564,522	2,783,590
Other liabilities	16,994,824	336,090	397,086	126,790	1,432,971	19,287,761
Total financial liabilities	₱407,105,947	₱36,723,628	₱18,375,413	₱10,352,708	₱74,504,286	₱547,061,982

	Parent Company					
	2016					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	**₱10,626,525**	**₱–**	**₱–**	**₱–**	**₱–**	**₱10,626,525**
Due from BSP and other banks	**136,637,734**	**–**	**–**	**–**	**–**	**136,637,734**
Interbank loans receivable	**6,600,278**	**1,009,362**	**149,965**	**150,626**	**–**	**7,910,231**
Securities under agreements to resell	**1,972,803**	**–**	**–**	**–**	**–**	**1,972,803**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**1,318,421**	**–**	**–**	**–**	**–**	**1,318,421**
Private debt securities	**121,166**	**–**	**–**	**–**	**–**	**121,166**
Equity securities	**27,263**	**–**	**–**	**–**	**–**	**27,263**
Derivative assets:						
Gross contractual receivable	**23,102,042**	**552,761**	**39,862**	**97,557**	**945,345**	**24,737,567**
Gross contractual payable	**(22,994,783)**	**(552,786)**	**(36,817)**	**(81,868)**	**(652,494)**	**(24,318,748)**
	107,259	**(25)**	**3,045**	**15,689**	**292,851**	**418,819**
AFS investments:						
Government securities	**361,066**	**1,359,182**	**782,328**	**883,536**	**43,661,794**	**47,047,906**
Private debt securities	**164,558**	**178,096**	**309,183**	**603,085**	**33,009,976**	**34,264,898**
Equity securities	**–**	**–**	**–**	**–**	**593,598**	**593,598**
HTM investments:						
Government securities	**186,669**	**188,578**	**268,090**	**638,573**	**42,226,116**	**43,508,026**
Loans and receivables:						
Receivables from customers	**47,135,914**	**58,812,741**	**20,970,205**	**19,158,472**	**288,318,164**	**434,395,496**
Unquoted debt securities	**–**	**2,731,616**	**2,910**	**2,904**	**4,211,082**	**6,948,512**
Other receivables	**2,400,902**	**519,217**	**1,542,416**	**183,824**	**11,661,573**	**16,307,932**
Other assets	**459,877**	**1,601**	**2,512**	**3,156**	**64,131**	**531,277**
Total financial assets	**₱208,120,435**	**₱64,800,368**	**₱24,030,654**	**₱21,639,865**	**₱424,039,285**	**₱742,630,607**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱115,392,463**	**₱–**	**₱–**	**₱–**	**₱–**	**115,392,463**
Savings	**286,307,746**	**31,169,095**	**12,960,373**	**18,753,987**	**15,868,774**	**365,059,975**
Time	**16,846,800**	**10,047,816**	**5,080,280**	**5,038,937**	**26,252,632**	**63,266,465**
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	**2,740,229**	**783,483**	**39,741**	**97,308**	**794,951**	**4,455,712**
Gross contractual receivable	**(2,732,875)**	**(779,167)**	**(38,143)**	**(84,515)**	**(589,035)**	**(4,223,735)**
	7,354	**4,316**	**1,598**	**12,793**	**205,916**	**231,977**
Bills and acceptances payable	**10,765,961**	**1,565,459**	**4,957,897**	**4,903,913**	**12,235,687**	**34,428,917**
Subordinated debt	**–**	**51,406**	**51,406**	**102,812**	**4,425,308**	**4,630,932**
Accrued interest payable and accrued other expenses payable	**414,252**	**236,725**	**251,453**	**630,422**	**–**	**1,532,852**
Other liabilities	**12,656,889**	**–**	**1,731**	**–**	**952,255**	**13,610,875**
Total financial liabilities	**₱442,391,465**	**₱43,074,817**	**₱23,304,738**	**₱29,442,864**	**₱59,940,572**	**₱598,154,456**

	Parent Company					
	2015					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	₱12,598,715	₱–	₱–	₱–	₱–	₱12,598,715
Due from BSP and other banks	90,656,132	–	–	–	–	90,656,132
Interbank loans receivable	5,508,484	441,255	9,061	–	–	5,958,800
Securities held under agreements to resell	14,583,112	–	–	–	–	14,583,112
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,979,182	–	–	–	–	3,979,182
Private debt securities	143,800	–	–	–	–	143,800
Equity securities	199,708	–	–	–	–	199,708
Derivative assets:						
Gross contractual receivable	15,866,204	2,057,068	20,125	41,474	348,870	18,333,741
Gross contractual payable	(15,801,188)	(2,038,302)	(10,723)	(27,122)	(275,264)	(18,152,599)
	65,016	18,766	9,402	14,352	73,606	181,142
AFS investments:						
Government securities	909,573	369,261	752,825	620,595	56,246,178	58,898,432
Private debt securities	183,767	534,094	269,017	994	27,546,996	28,534,868
Equity securities	–	–	–	–	623,958	623,958
HTM investments:						
Government securities	180,144	180,557	258,803	614,748	38,598,427	39,832,679
Loans and receivables:						
Receivables from customers	63,179,932	50,212,435	13,042,482	19,528,423	244,008,754	389,972,026
Unquoted debt securities	–	944	7,228	76,792	4,178,634	4,263,598
Other receivables	1,568,082	425,558	1,345,612	140,576	11,047,327	14,527,155
Other assets	215,207	2,300	1,405	1,142	34,597	254,651
Total financial assets	₱193,970,854	₱52,185,170	₱15,695,835	₱20,997,622	₱382,358,477	₱665,207,958
Financial Liabilities						
Deposit liabilities:						
Demand	₱108,667,550	₱–	₱–	₱–	₱–	₱108,667,550
Savings	256,194,773	25,250,869	11,251,179	5,732,360	13,745,867	312,175,048
Time	13,863,388	5,855,896	4,550,162	3,557,448	23,433,015	51,259,909
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	4,710,062	2,655,236	20,008	41,235	283,751	7,710,292
Gross contractual receivable	(4,667,535)	(2,594,639)	(10,723)	(27,122)	(275,264)	(7,575,283)
	42,527	60,597	9,285	14,113	8,487	135,009
Bills and acceptances payable	3,035,251	1,418,949	84,838	436,855	20,204,285	25,180,178
Subordinated debt	–	161,094	161,094	102,813	10,102,813	10,527,814
Accrued interest payable and accrued other expenses payable	991,128	156,705	14,717	23,239	1,564,522	2,750,311
Other liabilities	11,541,802	423,937	165,079	148,918	662,967	12,942,703
Total financial liabilities	₱394,336,419	₱33,328,047	₱16,236,354	₱10,015,746	₱69,721,956	₱523,638,522

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

Trading market risk

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 261-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

Objectives and limitations of the VaR methodology
The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be under estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters
VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

Backtesting
The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2016 and 2015, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress Testing
To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

VaR limits
Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2016	**₱1.65**	**₱77.87**	**₱1.39**	**₱80.91**
Average Daily	**3.35**	**161.09**	**4.73**	**169.17**
Highest	**12.09**	**444.55**	**9.14**	**465.79**
Lowest	**0.62**	**34.67**	**1.33**	**36.62**

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2015	₱1.99	₱296.83	₱8.81	₱307.63
Average Daily	3.67	306.33	8.99	318.99
Highest	14.52	420.79	10.50	392.93
Lowest	0.92	144.96	7.19	170.35

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

The table below shows the interest rate VaR for AFS investments (in millions):

	2016	2015
End of year	**₱1,399.01**	₱1,303.05
Average Daily	**1,261.85**	1,249.75
Highest	**1,575.39**	1,444.14
Lowest	**859.08**	797.87

Structural Market Risk

Non-trading Market Risk
Interest rate risk
The Parent Company seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Parent Company to interest rate risk. The Parent Company measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Parent Company an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Parent Company uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Parent Company's repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent Company's BOD sets a limit on the level of EaR exposure tolerable to the Parent Company. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2016					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱57,091,542**	**₱3,963,915**	**₱1,552,139**	**₱148,711**	**₱191,407**	**₱62,947,714**
Interbank loans receivable	**6,483,431**	**1,158,517**	**–**	**149,160**	**–**	**7,791,108**
Receivable from customers and other receivables - gross**	**112,589,715**	**69,561,736**	**13,940,309**	**3,330,898**	**66,612,092**	**266,034,750**
Total financial assets	**₱176,164,688**	**₱74,684,168**	**₱15,492,448**	**₱3,628,769**	**₱66,803,499**	**₱336,773,572**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱87,934,546**	**₱30,744,080**	**₱19,341,869**	**₱26,083,607**	**₱14,471,705**	**₱178,575,807**
Time	**22,628,013**	**11,627,502**	**8,195,577**	**6,214,396**	**11,327,985**	**59,993,473**
Bills and acceptances payable	**11,916,653**	**13,623,760**	**5,416,933**	**1,084,673**	**3,843,929**	**35,885,948**
Total financial liabilities	**₱122,479,212**	**₱55,995,342**	**₱32,954,379**	**₱33,382,676**	**₱29,643,619**	**₱274,455,228**
Repricing gap	**₱53,685,476**	**₱18,688,826**	**(₱17,461,931)**	**(₱29,753,907)**	**₱37,159,880**	**₱62,318,344**
Cumulative gap	**53,685,476**	**72,374,302**	**54,912,371**	**25,158,464**	**62,318,344**	**–**

**Financial instruments that are not subject to repricing/rollforward were excluded.*
***Receivable from customers excludes residual value of leased assets (Note 10).*

	Consolidated 2015					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱23,068,982	₱2,139,755	₱441,737	₱414,746	₱226,955	₱26,292,175
Interbank loans receivable	5,251,490	158,192	390,702	–	–	5,800,384
Receivable from customers and other receivables - gross**	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱147,823,581	₱56,996,277	₱8,400,492	₱2,938,968	₱51,609,067	₱267,768,385
Financial Liabilities*						
Deposit liabilities:						
Savings	₱82,042,319	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱158,709,533
Time	19,329,798	8,793,128	6,358,168	3,958,490	3,098,634	41,538,218
Bills and acceptances payable	3,850,446	1,080,637	1,006,011	1,140,959	18,674,168	25,752,221
Total financial liabilities	₱105,222,563	₱36,333,881	₱26,101,660	₱24,204,300	₱34,137,568	₱225,999,972
Repricing gap	₱42,601,018	₱20,662,396	(₱17,701,168)	(₱21,265,332)	₱17,471,499	₱41,768,413
Cumulative gap	42,601,018	63,263,414	45,562,246	24,296,914	41,768,413	–

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*

	Parent Company 2016					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱49,531,514**	**₱–**	**₱–**	**₱–**	**₱–**	**₱49,531,514**
Interbank loans receivable	**6,599,689**	**1,158,517**	**–**	**149,160**	**–**	**7,907,366**
Receivable from customers and other receivables – gross	**112,589,715**	**69,561,736**	**13,940,309**	**3,330,898**	**66,612,092**	**266,034,750**
Total financial assets	**₱168,720,918**	**₱70,720,253**	**₱13,940,309**	**₱3,480,058**	**₱66,612,092**	**₱323,473,630**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱84,396,897**	**₱30,689,495**	**₱19,260,425**	**₱25,923,172**	**₱14,471,705**	**₱174,741,694**
Time	**18,593,842**	**5,798,198**	**5,112,195**	**4,903,355**	**3,941,853**	**38,349,443**
Bills and acceptances payable	**15,207,904**	**13,045,275**	**4,877,709**	**152,588**	**703,222**	**33,986,698**
Total financial liabilities	**₱118,198,643**	**₱49,532,968**	**₱29,250,329**	**₱30,979,115**	**₱19,116,780**	**₱247,077,835**
Repricing gap	**₱50,522,275**	**₱21,187,285**	**(₱15,310,020)**	**(₱27,499,057)**	**₱47,495,312**	**₱76,395,795**
Cumulative gap	**50,522,275**	**71,709,560**	**56,399,540**	**28,900,483**	**76,395,795**	**–**

**Financial instruments that are not subject to repricing/rollforward were excluded.*

	Parent Company 2015					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱17,271,237	₱–	₱–	₱24,707	₱–	₱17,295,944
Interbank loans receivable	5,409,633	158,192	390,702	–	–	5,958,527
Receivable from customers and other receivables - gross	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱142,183,979	₱54,856,522	₱7,958,755	₱2,548,929	₱51,382,112	₱258,930,297
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,666,283	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱155,333,497
Time	15,232,475	5,339,910	4,446,307	3,721,070	2,982,331	31,722,093
Bills and acceptances payable	3,257,332	351,318	479,587	283,413	20,258,236	24,629,886
Total financial liabilities	₱97,156,090	₱32,151,344	₱23,663,375	₱23,109,334	₱35,605,333	₱211,685,476
Repricing gap	₱45,027,889	₱22,705,178	(₱15,704,620)	(₱20,560,405)	₱15,776,779	₱47,244,821
Cumulative gap	45,027,889	67,733,067	52,028,447	31,468,042	47,244,821	–

.**Financial instruments that are not subject to repricing/rollforward were excluded.*

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2016 and 2015:

	Consolidated			
	2016		2015	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱410,056**	**₱410,056**	₱358,163	₱358,163
-50bps	**(410,056)**	**(410,056)**	(358,163)	(358,163)
+100bps	**820,112**	**820,112**	716,326	716,326
-100bps	**(820,112)**	**(820,112)**	(716,326)	(716,326)

	Parent Company			
	2016		2015	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱396,673**	**₱396,673**	₱371,372	₱371,372
-50bps	**(396,673)**	**(396,673)**	(371,372)	(371,372)
+100bps	**793,346**	**793,346**	742,744	742,744
-100bps	**(793,346)**	**(793,346)**	(742,744)	(742,744)

As one of the long-term goals in the risk management process, the Parent Company has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Parent Company has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2016			2015		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱2,439,520**	**₱364,532**	**₱2,804,052**	₱2,442,421	₱367,924	₱2,810,345
Due from other banks	**6,963,920**	**12,842,915**	**19,806,835**	8,864,214	8,878,761	17,742,975
Interbank loans receivable and securities held under agreements to resell	**2,465,839**	**1,650,496**	**4,116,335**	2,309,227	1,207,330	3,516,557
Loans and receivables	**13,443,688**	**697,144**	**14,140,832**	17,533,276	508,518	18,041,794
Financial assets at FVPL	**–**	**–**	**–**	103	31,488	31,591
AFS investments	**1,876,850**	**1,958,502**	**3,835,352**	483,785	942,936	1,426,721
HTM investments	**8,026**	**–**	**8,026**	3,183	–	3,183
Other assets	**92,922**	**82,444**	**175,366**	47,315	49,465	96,780
Total assets	**27,290,765**	**17,596,033**	**44,886,798**	31,683,524	11,986,422	43,669,946
Liabilities						
Deposit liabilities	**9,857,351**	**3,679,624**	**13,536,975**	9,778,371	3,354,614	13,132,985
Derivative liabilities	**427**	**529**	**956**	92	169	261
Bills and acceptances payable	**4,931,773**	**225,866**	**5,157,639**	2,968,079	292,304	3,260,383
Accrued interest payable	**41,222**	**105,904**	**147,126**	1,591,617	39,457	1,631,074
Other liabilities	**1,070,134**	**520,406**	**1,590,540**	677,965	409,194	1,087,159
Total liabilities	**15,900,907**	**4,532,329**	**20,433,236**	15,016,124	4,095,738	19,111,862
Net Exposure	**₱11,389,858**	**₱13,063,704**	**₱24,453,562**	₱16,667,400	₱7,890,684	₱24,558,084

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Parent Company					
	2016			2015		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱134,521**	**₱236,225**	**₱370,746**	₱351,524	₱267,197	₱618,721
Due from other banks	**2,342,535**	**8,514,773**	**10,857,308**	2,145,720	7,254,596	9,400,316
Interbank loans receivable and securities held under agreements to resell	**1,816,463**	**1,449,239**	**3,265,702**	1,432,622	1,006,287	2,438,909
Loans and receivables	**11,638,723**	**452,175**	**12,090,898**	14,306,521	288,917	14,595,438
Financial assets at FVPL	**–**	**–**	**–**	–	31,427	31,427
AFS investments	**1,876,314**	**1,891,150**	**3,767,464**	483,277	862,008	1,345,285
HTM investments	**8,026**	**–**	**8,026**	3,183	–	3,183
Other assets	**92,922**	**268**	**93,190**	47,212	247	47,459
Total assets	**17,909,504**	**12,543,830**	**30,453,334**	18,770,059	9,710,679	28,480,738
Liabilities						
Deposit liabilities	**1,990,870**	**3,308,204**	**5,299,074**	2,081,030	2,984,574	5,065,604
Derivative liabilities	**–**	**529**	**529**	–	169	169
Bills and acceptances payable	**4,763,163**	**70,183**	**4,833,346**	2,706,703	143,323	2,850,026
Accrued interest payable	**34,342**	**19,023**	**53,365**	1,584,964	17,546	1,602,510
Other liabilities	**914,852**	**104,947**	**1,019,799**	663,161	249,935	913,096
Total liabilities	**7,703,227**	**3,502,886**	**11,206,113**	7,035,858	3,395,547	10,431,405
Net Exposure	**₱10,206,277**	**₱9,040,944**	**₱19,247,221**	₱11,734,201	₱6,315,132	₱18,049,333

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

Information relating to the Parent Company's currency derivatives is contained in Note 23. The Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱1.1 billion (sold) and ₱265.7 million (bought) as of December 31, 2016 and ₱1.2 billion (sold) and ₱3.9 billion (bought) as of December 31, 2015.

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2016 and 2015follow:

	2016	2015
US dollar - Philippine peso exchange rate	**₱49.72 to USD1.00**	₱47.06 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2016 and 2015:

	2016			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱95,130**	**₱113,899**	**₱83,300**	**₱102,063**
-1.00%	**(95,130)**	**(113,899)**	**(83,300)**	**(102,063)**

	2015			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱161,836	₱166,674	₱112,509	₱117,342
-1.00%	(161,836)	(166,674)	(112,509)	(117,342)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

Capital management and management of insurance and financial risks

Governance framework

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Regulatory framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The Group has an insurance business which is subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., fixed capitalization requirements, risk-based capital requirements).

Capital management
APLII's and PNB General Insurers Inc. (PNB Gen's) capital management framework is aligned with the statutory requirements imposed by the IC. To ensure compliance with these externally imposed capital requirements, it is the policy of APLII and PNB Gen to assess its position against set minimum capital requirements.

Under the requirements of the IC and the Insurance Code, APLII and PNB Gen should meet the minimum levels set for the following capital requirements: Minimum Statutory Net Worth - ₱250.0 million, ₱550.0 million, ₱900.0 million and ₱1.3 billion with compliance dates of June 30, 2013, December 31, 2016, December 31, 2019 and December 31, 2022, respectively; and Risk-Based Capital (RBC) - 100.00% for both life and nonlife insurance companies.

The required investments in government bonds and securities of at least 25.00% of the Minimum Paid-up Capital, under Section 203 of the Insurance Code, are free from liens and encumbrances.

The Group manages the capital of its subsidiaries in accordance with the capital requirements of the relevant regulatory agency, such as the IC, SEC and Philippine Stock Exchange (PSE). APLII has fully complied with the relevant capital requirements having an estimated statutory net worth amounting to ₱1.5 billion and ₱1.4 billion as of December 31, 2016 and 2015, respectively, and RBC ratio of 185.00% and 187.00% as of December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, PNB Gen has an estimated statutory net worth amounting to ₱484.3 million and ₱374.0 million, respectively. PNB Gen's RBC ratio as of December 31, 2016 and 2015 is 72.00% and 21.55%, respectively.

In a letter dated January 11, 2017 addressed to the Parent Company, the BSP approved on December 28, 2016 the request of the Parent Company to infuse ₱200.0 million in PNB Gen subject to regulatory compliance and reporting conditions, and to be booked by the latter as contingency surplus in compliance with IC Circular Letter (CL) No. 2015-02-A dated January 13, 2015.

Under Section D of IMC No. 7-2006, Mandatory Control Event shall occur if the RBC ratio of the company is less than 35.00%. Should this event occur, the Commissioner is required to place the company under regulatory control under Section 247 (Title 13, *Suspension or Revocation of Authority*) of the Code. The Mandatory Control Event shall be deemed sufficient grounds for the Commissioner to take action under Section 247 of the Insurance Code.

PNB Gen expects its financial performance to continue to improve in 2017 through strategy of profitable growth, effective claims management and more efficient collection of both premiums receivable and claims recoverable. These will have positive impact on the RBC ratio, not to mention on the new RBC formula which is presently under consideration.

The final amount of the RBC ratio can be determined only after the accounts of PNB Gen have been examined by the IC. Further, the IC has yet to finalize the new RBC computation under the New Insurance Code.

5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities follow:

Cash equivalents - Carrying amounts approximate fair values due to the relatively short-term maturity of these investments.

Debt securities - Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices. While unquoted equity securities are carried at their original cost less impairment if any, since the fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Investments in UITFs classified as financial assets designated as at FVPL - Fair values are based on Net Asset Value per share (NAVps).

Loans and receivables - For loans with fixed interest rates, fair values are estimated using the discounted cash flow methodology, using the current incremental lending rates for similar types of loans. For loans with floating interest rates, with repricing frequencies on a quarterly basis, the Group assumes that the carrying amount approximates fair value.

Investment properties - The fair values of the Group and the Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the land, building and investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Financial liabilities - Except for time deposit liabilities, bills payable with long-term maturity and subordinated debt, the carrying values approximate fair values due to either the presence of a demand feature or the relatively short-term maturities of these liabilities.

Derivative instruments - Fair values are estimated based on quoted market prices or acceptable valuation models.

Time deposit liabilities, bills payable with long-term maturity and subordinated debt including designated at FVPL - Fair value is determined using the discounted cash flow methodology. The discount rate used in estimating the fair values of the subordinated debt and time deposits ranges from 2.70% to 6.75% and from 2.66% to 3.77% as of December 31, 2016 and 2015, respectively.

Fair value hierarchy
The Group has assets and liabilities that are measured at fair value on a recurring basis in the statement of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the statement of financial position at the end of each reporting period. These include financial assets and liabilities at FVPL and AFS investments.

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated					
	2016					
	Valuation Date	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	**12/29/16**	**₱1,313,400**	**₱1,300,293**	**₱13,107**	**₱–**	**₱1,313,400**
Derivative assets	**12/29/16**	**419,122**	**–**	**357,577**	**61,545**	**419,122**
Private debt securities	**12/29/16**	**120,589**	**112,605**	**7,984**	**–**	**120,589**
Equity securities	**12/29/16**	**54,609**	**54,609**	**–**	**–**	**54,609**
Investments in UITF	**12/29/16**	**6,144**	**–**	**6,144**	**–**	**6,144**
AFS investments:						
Government securities	**12/29/16**	**37,834,559**	**34,416,113**	**3,418,446**	**–**	**37,834,559**
Private debt securities	**12/29/16**	**28,841,070**	**26,177,419**	**2,663,651**	**–**	**28,841,070**
Equity securities*	**12/29/16**	**493,958**	**493,958**	**–**	**–**	**493,958**
		₱69,083,451	**₱62,554,997**	**₱6,466,909**	**₱61,545**	**₱69,083,451**
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	**12/29/16**	**₱232,832**	**–**	**₱232,832**	**–**	**₱232,832**
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	**12/29/16**	**₱24,174,479**	**₱21,282,956**	**₱3,807,936**	**₱–**	**₱25,090,892**
Loans and Receivables:**						
Receivables from customers	**12/29/16**	**406,534,024**	**–**	**–**	**412,236,428**	**412,236,428**
Unquoted debt securities	**12/29/16**	**3,285,222**	**–**	**–**	**3,305,345**	**3,305,345**
		₱433,993,725	**₱21,282,956**	**₱3,807,936**	**₱415,541,773**	**₱440,632,665**
Nonfinancial Assets						
Investment property:***						
Land	**12/29/16**	**₱13,309,379**	**₱–**	**₱–**	**₱19,019,263**	**₱19,019,263**
Buildings and improvements	**12/29/16**	**3,031,873**	**–**	**–**	**3,963,475**	**3,963,475**
		₱16,341,252	**₱–**	**₱–**	**₱22,982,738**	**₱22,982,738**
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	**12/29/16**	**₱84,375,617**	**₱–**	**₱–**	**₱86,109,334**	**₱86,109,334**
Bills payable	**12/29/16**	**34,226,608**	**–**	**–**	**38,468,732**	**38,468,732**
Subordinated debt	**12/29/16**	**3,497,798**	**–**	**–**	**3,551,484**	**3,551,484**
		₱122,100,023	**₱–**	**₱–**	**₱128,129,550**	**₱128,129,550**

* *Excludes unquoted available-for-sale securities (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*

	Consolidated					
	2015					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱–	₱3,968,214
Derivative assets	12/29/2015	181,348	–	118,016	63,332	181,348
Private debt securities	12/29/2015	143,800	143,800	–	–	143,800
Equity securities	12/29/2015	199,922	199,752	170	–	199,922
Investment in UITFs	12/29/2015	17,261	–	17,261	–	17,261
AFS investments:						
Government securities	12/29/2015	45,260,397	33,499,835	11,760,562	–	45,260,397
Private debt securities	12/29/2015	22,252,980	21,614,280	638,700	–	22,252,980
Equity securities*	12/29/2015	653,931	560,272	93,659	–	653,931
Assets of a Disposal Group Classified as Held for Sale:						
Financial assets at FVPL:						
Segregated fund assets	12/29/2015	13,634,687	7,854,450	–	5,780,237	13,634,687
AFS Investments						
Government securities	12/29/2015	2,485,902	2,485,902	–	–	2,485,902
Other debt securities	12/29/2015	3,604,065	3,604,065	–	–	3,604,065
Equity securities*	12/29/2015	1,378,686	1,378,686	–	–	1,378,686
		₱93,781,193	₱73,977,455	₱13,960,169	₱5,843,569	₱93,781,193
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	12/29/2015	₱135,193	₱–	₱135,193	₱–	₱135,193
Liabilities of Disposal Group Classified as Held for Sale						
Financial Liabilities at FVPL:						
Segregated fund liabilities****	12/29/2015	13,634,687	7,854,450	–	5,780,237	13,634,687
		₱13,769,880	₱7,854,450	₱135,193	₱5,780,237	₱13,769,880
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2015	₱23,231,997	₱18,729,222	₱5,887,982	₱–	₱24,617,204
Loans and Receivables:**						
Receivables from customers	12/29/2015	349,176,265	–	–	360,136,440	360,136,440
Unquoted debt securities	12/29/2015	625,802	–	–	648,046	648,046
Assets of a Disposal Group Classified as Held for Sale:						
HTM investments	12/29/2015	1,269,398	1,336,814	–	–	1,336,814
		₱374,303,462	₱20,066,036	₱5,887,982	₱360,784,486	₱386,738,504
Nonfinancial Assets						
Investment property:***						
Land	2015	₱11,432,653	₱–	₱–	₱21,012,616	₱21,012,616
Buildings and improvements	2015	1,797,352	–	–	3,584,585	3,584,585
		₱13,230,005	₱–	₱–	₱24,597,201	₱24,597,201
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2015	₱60,552,445	₱–	₱–	₱60,762,710	₱60,762,710
Bills payable	1229/2015	25,407,406	–	–	25,033,940	25,033,940
Subordinated debt	12/29/2015	9,986,427	–	–	10,241,659	10,241,659
		₱95,946,278	₱–	₱–	₱96,038,309	₱96,038,309

* *Excludes unquoted available-for-sale securities (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*
**** *Excludes cash component*

	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
			Parent Company			
			2016			
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/16	₱1,313,400	₱1,300,293	₱13,107	₱–	₱1,313,400
Derivative assets	12/29/16	418,819	–	357,274	61,545	418,819
Private debt securities	12/29/16	120,589	112,605	7,984	–	120,589
Equity securities	12/29/16	27,263	27,263	–	–	27,263
AFS investments:						
Government securities	12/29/16	36,900,930	33,482,484	3,418,446	–	36,900,930
Private debt securities	12/29/16	28,325,207	25,661,556	2,663,651	–	28,325,207
Equity securities*	12/29/16	439,819	439,819	–	–	439,819
		₱67,546,027	₱61,024,020	₱6,460,462	₱61,545	₱67,546,027
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	12/29/16	₱231,977	–	₱231,977	–	₱231,977
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/16	₱24,074,898	₱21,183,585	₱3,807,936	–	₱24,991,521
Loans and Receivables:**						
Receivables from customers	12/29/16	362,702,715	–	–	368,405,370	368,405,370
Unquoted debt securities	12/29/16	3,227,376	–	–	3,247,498	3,247,498
		₱390,004,989	₱21,183,585	₱3,807,936	₱371,652,868	₱396,644,389
Nonfinancial Assets						
Investment property:***						
Land	12/29/16	13,341,300	–	–	18,800,199	18,800,199
Buildings and improvements	12/29/16	2,633,830	–	–	3,364,011	3,364,011
		₱15,975,130	–	–	₱22,164,210	₱22,164,210
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/16	₱62,731,586	–	–	₱62,154,985	₱62,154,985
Bills payable	12/29/16	32,327,358	–	–	32,641,258	32,641,258
Subordinated debt	12/29/16	3,497,798	–	–	3,551,484	3,551,484
		₱98,556,742	–	–	₱98,347,727	₱98,347,727

* *Excludes unquoted available-for-sale securities (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*

	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
			Parent Company			
			2015			
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱–	₱3,968,214
Derivative assets	12/29/2015	181,142	–	117,810	63,332	181,142
Private debt securities	12/29/2015	143,800	143,800	–	–	143,800
Equity securities	12/29/2015	199,708	199,708	–	–	199,708
AFS investments:						
Government securities	12/29/2015	44,075,209	32,314,647	11,760,562	–	44,075,209
Private debt securities	12/29/2015	22,035,585	21,396,885	638,700	–	22,035,585
Equity securities*	12/29/2015	450,749	357,090	93,659	–	450,749
		₱71,054,407	₱57,048,543	₱13,942,532	₱63,332	₱71,054,407
Liabilities measured at fair value:						
Financial Liabilities						
Derivative liabilities	12/29/2015	₱135,009	₱–	₱135,009	₱–	₱135,009

(Forward)

	Parent Company					
	2015					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2015	₱23,137,643	₱18,634,867	₱5,887,982	₱–	₱24,522,849
Loans and Receivables:**						
Receivables from customers	12/29/2015	316,730,942	–	–	325,917,837	325,917,837
Unquoted debt securities	12/29/2015	625,802	–	–	648,046	648,046
		₱340,494,387	₱18,634,867	₱5,887,982	₱326,565,883	₱351,088,732
Nonfinancial Assets						
Investment properties:***						
Land	2015	₱13,045,427	₱–	₱–	₱21,290,540	₱21,290,540
Buildings and improvements	2015	1,621,404	–	–	2,912,787	2,912,787
		₱14,666,831	₱–	₱–	₱24,203,327	₱24,203,327
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2015	₱50,736,320	₱–	₱–	₱50,946,585	₱50,946,585
Bills payable	12/29/2015	24,285,071	–	–	23,904,966	23,904,966
Subordinated debt	12/29/2015	9,986,427	–	–	10,241,659	10,241,659
		₱85,007,818	₱–	₱–	₱85,093,210	₱85,093,210

* *Excludes unquoted available-for-sale securities (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values are determined based on published NAVps as of reporting date.

As of December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows a reconciliation of the beginning and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Financial assets				
Balance at beginning of year	**₱5,843,569**	₱5,339,628	**₱63,332**	₱71,160
Fair value changes recognized in profit or loss	**(1,787)**	503,941	**(1,787)**	(7,828)
Change arising from sale of direct interest in a subsidiary	**(5,780,237)**	–	**–**	–
Balance at end of year	**₱61,545**	₱5,843,569	**₱61,545**	₱63,332

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial liabilities				
Balance at beginning of year	**₱5,780,237**	₱5,268,468	**₱–**	₱–
Fair value changes recognized in profit or loss	**–**	511,769	**–**	–
Change arising from sale of direct interest in a subsidiary	**(5,780,237)**	–	**–**	–
Balance at end of year	**₱–**	₱5,780,237	**₱–**	₱–

Equity and/or Credit-Linked Notes are shown as 'Assets of Disposal Group Classified as Held for Sale' as of December 31, 2015 (Note 37).

The structured Variable Unit-Linked Notes can be decomposed into bond components and options components. The fair value of structured notes has been computed by counterparties using present value calculations and option pricing models, as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the Issuer. The model also used certain market observable inputs including the counterparty's credit default swap (CDS), PHP interest rate swap (IRS) rates (for the Peso-denominated issuances) and ROP CDS rates (for the USD-denominated issuances).

Description of valuation techniques follow:

Structured Notes	Valuation Methods	Significant Unobservable Inputs	Significant Observable Inputs
Peso-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	PHP IRS
Dollar-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	ROP CDS / USD IRS

The sensitivity analysis of the fair market value of the structured notes as of December 31, 2015 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss follows:

Sensitivity of the fair value measurement to changes in unobservable inputs:

2015			
Structured Investments	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso - denominated	Bank CDS Levels	47.28 - 92.37 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462
Dollar - denominated	Bank CDS Levels	40.179 - 76.344 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217

* *The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range*

Sensitivity of the fair value measurement to changes in observable inputs:

2015			
Structured Investments	Significant Observable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso - denominated	PHP IRS (3Y)	180.25 - 355.00 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462
Dollar-denominated	ROP CDS (5Y)	126.15 - 193.33 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱28,095,617

* *The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range*

The fair values of warrants have been determined using price quotes received from a third-party broker without any pricing adjustments imputed by the Parent Company. The valuation model and inputs used in the valuation which were developed and determined by the third-party broker were not made available to the Parent Company. Under such instance, PFRS 13 no longer requires an entity to create quantitative information to comply with the related disclosure requirements.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and Parent Company's investment properties follows:

<u>Valuation Techniques</u>

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of the improvement's Reproduction Cost New.

<u>Significant Unobservable Inputs</u>

Price per square meter	Ranges from ₱800 to ₱100,000
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

Significant Unobservable Inputs

Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

6. Segment Information

Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers

Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of T-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and

Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, chief operating decision maker (CODM) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package for banks, which differ from PFRS. Significant differences arose from the manner of provisioning for impairment and credit losses, measurement of investment properties and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2016					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,136,370	₱15,027,877	₱3,014,495	₱126,606	₱261,154	₱19,566,502
Inter-segment	5,345,226	(7,756,129)	2,410,903	–	–	–
Net interest margin after inter-segment transactions	6,481,596	7,271,748	5,425,398	126,606	261,154	19,566,502
Other income	1,896,868	4,274,575	2,284,097	3,323,121	(136,649)	11,642,012
Segment revenue	8,378,464	11,546,323	7,709,495	3,449,727	124,505	31,208,514
Other expenses	(8,207,826)	(3,611,997)	(200,330)	(3,423,737)	576,949	(14,866,941)
Segment result	₱170,638	₱7,934,326	₱7,509,165	₱25,990	₱701,454	₱16,341,573
Unallocated expenses						(8,258,520)
Net income before income tax						8,083,053
Income tax						1,517,030
Net income from continuing operations						6,566,023
Net income from discontinued operations						619,563
Non-controlling interest						(38,122)
Net income for the year attributable to equity holders of the Parent Company						₱7,147,464
Other segment information						
Capital expenditures	₱1,063,897	₱5,723	₱961	₱510,870	₱–	₱1,581,451
Unallocated capital expenditure						852,941
Total capital expenditure						₱2,434,392
Depreciation and amortization	₱493,221	₱22,318	₱2,663	₱644,739	₱–	₱1,162,941
Unallocated depreciation and amortization						391,704
Total depreciation and amortization						₱1,554,645
Provision for (reversal of) impairment, credit and other losses	₱360,089	₱2,529,286	₱300	₱4,233	₱319,056	₱3,212,964

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱2,396,903	₱11,614,343	₱3,177,360	₱239,257	₱263,976	₱17,691,839
Inter-segment	4,287,196	(4,915,106)	627,910	–	–	–
Net interest margin after inter-segment transactions	6,684,099	6,699,237	3,805,270	239,257	263,976	17,691,839
Other income	1,413,242	4,103,084	2,195,452	1,693,160	545,862	9,950,800
Segment revenue	8,097,341	10,802,321	6,000,722	1,932,417	809,838	27,642,639
Other expenses	(7,808,713)	(935,445)	(118,411)	(3,061,754)	(1,076,767)	(13,001,090)
Segment result	₱288,628	₱9,866,876	₱5,882,311	(₱1,129,337)	(₱266,929)	14,641,549
Unallocated expenses						(7,068,331)
Net income before income tax						7,573,218
Income tax						(1,619,554)
Net income from continuing operations						5,953,664
Net income from discontinued operations						357,931
Non-controlling interest						(198,087)
Net income for the year attributable to equity holders of the Parent Company						₱6,113,508
Other segment information						
Capital expenditures	₱925,062	₱10,405	₱1,780	₱121,557	₱250,092	₱1,308,896
Unallocated capital expenditure						589,574
Total capital expenditure						₱1,898,470
Depreciation and amortization	₱558,046	₱132,559	₱6,440	₱542,347	₱143,101	₱1,382,493
Unallocated depreciation and amortization						69,728
Total depreciation and amortization						₱1,452,221
Provision for (reversal of) impairment, credit and other losses	₱301,499	(₱261,596)	(₱11,910)	₱220,261	₱319,926	₱568,180

* *The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	2014					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,306,979	₱11,521,156	₱2,987,955	₱206,786	₱435,786	₱16,458,662
Inter-segment	3,928,385	(3,431,729)	(496,656)	–	–	–
Net interest margin after inter-segment transactions	5,235,364	8,089,427	2,491,299	206,786	435,786	16,458,662
Other income	2,026,365	4,062,801	1,122,246	2,946,655	(45,859)	10,112,208
Segment revenue	7,261,729	12,152,228	3,613,545	3,153,441	389,927	26,570,870
Other expenses	(7,131,047)	(3,677,796)	(217,934)	(2,158,368)	(628,280)	(13,813,425)
Segment result	₱130,682	₱8,474,432	₱3,395,611	₱995,073	(₱238,353)	12,757,445
Unallocated expenses						(6,159,273)
Net income before income tax						6,598,172
Income tax						(1,367,288)
Net income from continuing operations						5,230,884
Net income from discontinued operations						264,161
Non-controlling interest						(136,376)
Net income for the year attributable to equity holders of the Parent Company						₱5,358,669

(Forward)

	2014					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Other segment information						
Capital expenditures	₱744,394	₱25,454	₱1,404	₱291,118	₱32,553	₱1,094,923
Unallocated capital expenditure						271,486
Total capital expenditure						₱1,366,409
Depreciation and amortization	₱140,607	₱110,966	₱5,562	₱720,041	₱276,170	₱1,253,346
Unallocated depreciation and amortization						228,585
Total depreciation and amortization						₱1,481,931
Provision for (reversal of) impairment, credit and other losses	₱545,281	₱859,782	(₱11,766)	₱355,627	₱515,691	₱2,264,615

* *The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2016					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱368,781,391**	**₱359,553,260**	**₱212,189,932**	**₱25,351,620**	**(₱213,533,306)**	**₱752,342,897**
Unallocated assets						**1,422,213**
Total assets						**₱753,765,110**
Segment liabilities	**₱528,797,409**	**₱57,719,741**	**₱64,033,215**	**₱37,602,324**	**(₱213,885,651)**	**₱474,267,038**
Unallocated liabilities						**169,557,166**
Total liabilities						**₱643,824,204**

* *The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱70,842,231	₱278,330,998	₱192,617,758	₱273,895,363	(₱138,148,929)	₱677,537,421
Unallocated assets						2,150,316
Total assets						₱679,687,737
Segment liabilities	₱328,801,574	₱51,043,083	₱50,222,776	₱189,688,815	(₱137,664,873)	₱482,091,375
Unallocated liabilities						92,840,501
Total liabilities						₱574,931,876

* *The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in five (5) principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets		**Liabilities**		**Capital Expenditure**	
	2016	2015	**2016**	2015	**2016**	2015
Philippines	**₱310,067,651**	₱297,495,756	**₱615,084,923**	₱550,838,120	**₱2,195,996**	₱1,879,019
Asia (excluding Philippines)	**6,225,748**	6,063,370	**24,392,446**	20,378,499	**232,949**	167
USA and Canada	**77,790,006**	74,359,768	**4,245,479**	3,661,259	**461**	19,284
United Kingdom	**2,649,627**	728,454	**101,356**	53,998	**4,986**	–
	₱396,733,032	₱378,647,348	**₱643,824,204**	₱574,931,876	**₱2,434,392**	₱1,898,470

* *Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)*

	Credit Commitments		External Revenues		
	2016	2015	**2016**	2015	2014
Philippines	**₱27,995,354**	₱16,083,883	**₱29,124,972**	₱25,580,852	₱24,650,375
Asia (excluding Philippines)	**467,830**	465,026	**1,267,659**	1,308,540	1,184,773
USA and Canada	**4,197**	796	**668,833**	598,662	534,838
United Kingdom	**–**	–	**147,050**	154,585	200,884
	₱28,467,381	₱16,549,705	**₱31,208,514**	₱27,642,639	₱26,570,870

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

As of December 31, 2016 and 2015, 30.11% and 8.69% of the Group's Due from BSP are placed under the Term Deposit Facility (TDF) with the BSP. Due from BSP bear annual interest rates ranging from 2.50% to 3.50% in 2016 and 2.00% to 2.50% in 2015 and 2014.

As of December 31, 2016 and 2015, 29.64% and 7.32% of the Parent Company's Due from BSP are placed under the TDF with the BSP. TDFs bear annual interest rates ranging from 2.50% to 3.50% in 2016 and 2.00% to 2.50% in 2015 and 2014.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

The Group's interbank loans receivable include foreign currency-denominated placements amounting to ₱7.8 billion as of December 31, 2016 and ₱5.8 billion as of December 31, 2015. The Group's and the Parent Company's peso-denominated interbank loans receivables bear interest ranging from 2.56% to 3.19% in 2015, and from 3.00% to 3.19% in 2014; and from 0.01% to 4.40%, 0.01% to 0.35%, and 0.08% to 0.25% for foreign-currency denominated placements in 2016, 2015 and 2014, respectively.

The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Interbank loans receivable	**₱7,791,108**	₱5,800,383	**₱7,907,366**	₱5,958,526
Less: Interbank loans receivable not considered as cash and cash equivalents	**547,222**	–	**554,526**	46,302
	₱7,243,886	₱5,800,383	**₱7,352,840**	₱5,912,224

Securities held under agreements to resell are peso-denominated placements with carrying value of ₱2.0 billion and ₱14.6 billion as of December 31, 2016 and 2015, respectively. The Group's and the Parent Company's peso-denominated securities held under repurchase agreements bear interest ranging from 3.00% to 4.00% in 2016 and 4.00% in 2015. The fair value of the treasury bills pledged under these agreements as of December 31, 2016 and 2015 amount to ₱2.0 billion and ₱14.5 billion, respectively.

9. **Trading and Investment Securities**

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial assets at FVPL	**₱1,913,864**	₱4,510,545	**₱1,880,071**	₱4,492,864
AFS investments	**67,340,739**	68,341,024	**65,819,735**	66,734,752
HTM investments	**24,174,479**	23,231,997	**24,074,898**	23,137,643
	₱93,429,082	₱96,083,566	**₱91,774,704**	₱94,365,259

Financial Assets at FVPL
This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Government securities	**₱1,313,400**	₱3,968,214	**₱1,313,400**	₱3,968,214
Derivative assets (Notes 23 and 36)	**419,122**	181,348	**418,819**	181,142
Private debt securities	**120,589**	143,800	**120,589**	143,800
Equity securities	**54,609**	199,922	**27,263**	199,708
Investment in UITFs	**6,144**	17,261	**–**	–
	₱1,913,864	₱4,510,545	**₱1,880,071**	₱4,492,864

As of December 31, 2016 and 2015, unrealized loss on government and private debt securities recognized by the Group and the Parent Company amounted to ₱66.9 million and ₱261.5 million, respectively.

The carrying amount of equity securities includes unrealized loss of ₱21.5 million and ₱53.3 million as of December 31, 2016 and 2015, respectively, for the Group and unrealized loss of ₱32.0 million and ₱12.0 million as of December 31, 2016 and 2015, respectively, for the Parent Company.

In 2016, 2015, and 2014, the nominal interest rates of government securities range from 2.75% to 10.63%, 2.13% to 10.63%, and 2.75% to 8.88%, respectively.

In 2016, 2015, and 2014, the nominal interest rates of private debt securities range from 5.50% to 7.38%, 4.80% to 7.38%, and 4.25% to 7.38%, respectively.

AFS Investments
This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Government debt securities (Notes 19 and 33)	**₱37,834,559**	₱45,260,397	**₱36,900,930**	₱44,075,209
Private securities	**28,841,070**	22,252,980	**28,325,207**	22,035,585
Equity securities - net of allowance for impairment losses (Note 16)				
Quoted	**493,958**	653,931	**439,819**	450,749
Unquoted	**171,152**	173,716	**153,779**	173,209
	₱67,340,739	₱68,341,024	**₱65,819,735**	₱66,734,752

In 2016, the Group and the Parent Company recognized impairment losses on equity securities amounting to ₱15.9 million and ₱15.6 million, respectively. In 2015, the Group and the Parent Company recognized impairment losses on equity securities amounting to ₱0.2 million (Note 16).

The movements in net unrealized loss on AFS investments of the Group are as follows:

	2016			2015			2014		
	Parent Company	**NCI**	**Total**	Parent Company	NCI	Total	Parent Company	NCI	Total
Balance at the beginning of the year	**(₱3,030,588)**	**₱168,630**	**(₱2,861,958)**	(₱2,336,142)	₱179,878	(₱2,156,264)	(₱3,581,865)	₱158,990	(₱3,422,875)
Changes in fair values of AFS investments	**1,009,783**	**–**	**1,009,783**	(171,907)	(9,641)	(181,548)	2,286,623	19,514	2,306,137
Provision for impairment (Note 16)	**15,856**	**–**	**15,856**	230	–	230	1,423	–	1,423
Realized gains	**(1,364,066)**	**(360)**	**(1,364,426)**	(777,890)	(4,175)	(782,065)	(1,171,221)	(2,932)	(1,174,153)
Amortization of net unrealized loss on AFS investments reclassified as HTM	**144,657**	**1,079**	**145,736**	136,804	2,568	139,372	119,839	4,306	124,145
Share in net unrealized losses of an associate (Note 12)	**(245,867)**	**–**	**(245,867)**	–	–	–	–	–	–
Effect of disposal group classified as held-for-sale (Note 37)	**–**	**(169,349)**	**(169,349)**	115,430	–	115,430	–	–	–
	(439,637)	**(168,630)**	**(608,267)**	(697,333)	(11,248)	(708,581)	1,236,664	20,888	1,257,552
Income tax effect (Note 31)	**286**	**–**	**286**	2,887	–	2,887	9,059	–	9,059
Balance at end of year	**(₱3,469,939)**	**₱–**	**(₱3,469,939)**	(₱3,030,588)	₱168,630	(₱2,861,958)	(₱2,336,142)	₱179,878	(₱2,156,264)

The changes in the net unrealized loss in AFS investments of the Parent Company follow:

	2016	2015 (As restated)	2014 (As restated)
Balance at the beginning of the year	**(₱3,030,588)**	(₱2,336,142)	(₱3,581,865)
Changes in fair values of AFS investments	**1,008,908**	(192,809)	2,139,842
Provision for impairment (Note 16)	**15,601**	230	1,423
Realized gains	**(1,350,453)**	(756,777)	(1,128,511)
Amortization of net unrealized loss on AFS investments reclassified as HTM	**140,341**	126,531	102,615
Share in net unrealized losses of subsidiaries and an associate (Note 12)	**(253,748)**	51,906	121,295
Effect of disposal group classified as held-for-sale (Note 37)	**–**	73,586	–
	(3,469,939)	(3,033,475)	(2,345,201)
Income tax effect (Note 31)	**–**	2,887	9,059
Balance at end of year	**(₱3,469,939)**	(₱3,030,588)	(₱2,336,142)

As of December 31, 2016 and 2015, the fair value of the AFS investments in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with counterparties amounted to ₱9.8 billion and ₱8.5 billion, respectively (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the counterparties have the right to hold the securities and sell them as settlement of the repurchase agreement. There are no other significant terms and conditions associated with the pledged investments.

Included in the Group's AFS investments are pledged securities for the Surety Bond with face value amount of ₱800.0 million issued by PNB Gen. As of December 31, 2015, the carrying value and fair value of these securities amounted to ₱873.0 million and ₱974.4 million, respectively (Note 35). As of December 31, 2016, a compromise agreement on the settlement of loans has been made and said Surety Bond was no longer renewed by PNB Gen.

HTM Investments
As of December 31, 2016, HTM investments of the Group and the Parent Company consist of government securities amounting to ₱24.2 billion and ₱24.1 billion, respectively.

As of December 31, 2015, HTM investments of the Group and the Parent Company consist of government securities and private debt securities amounting to ₱23.2 billion and ₱23.1 billion, respectively.

As of December 31, 2016 and 2015, the fair value of the HTM investments in the form of Republic of the Philippines bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with counterparties amounted to ₱15.3 billion and ₱7.5 billion, respectively (Note 19).

Reclassification of Financial Assets
On March 3 and 5, 2014, the Group reclassified certain AFS investment securities, which were previously classified as HTM investments, with fair values of ₱15.9 billion and ₱6.8 billion, respectively, back to its original classification as management has established that it continues to have the positive intention and ability to hold these securities to maturity. The reclassification was approved by the BOD on February 28, 2014. The previous fair valuation gains amounting to ₱2.7 billion that have been recognized in OCI shall be amortized to profit or loss over the remaining life of the HTM investments using effective interest rates ranging from 3.60% to 5.64%.

As of December 31, 2016, the carrying values and fair values of the Group's and Parent Company's reclassified investment securities amounted to ₱20.1 billion and ₱21.4 billion, respectively. As of December 31, 2015, the carrying values and fair values of the reclassified investment securities amounted to ₱20.3 billion and ₱21.8 billion, respectively, for the Group and ₱20.2 billion and ₱21.7 billion, respectively, for the Parent Company. Had these securities not been reclassified as HTM, the additional mark-to-market loss that would have been recognized by the Group and the Parent Company in the statement of comprehensive income amounts to ₱0.3 billion in 2016 and ₱0.8 billion in 2015.

Interest Income on Trading and Investment Securities
This account consists of:

	Consolidated			**Parent Company**		
	2016	2015	2014	**2016**	2015	2014
AFS investments	**₱2,262,857**	₱2,443,660	₱1,953,437	**₱2,212,466**	₱2,407,634	₱1,968,228
HTM investments	**926,652**	925,334	794,541	**926,131**	924,462	725,613
Financial assets at FVPL	**837,085**	373,042	244,886	**837,085**	373,042	244,886
	₱4,026,594	₱3,742,036	₱2,992,864	**₱3,975,682**	₱3,705,138	₱2,938,727

Effective interest rates range from 1.31% to 5.93%, 1.03% to 5.62%, and 2.58% to 5.62% in 2016, 2015 and 2014, respectively, for peso-denominated AFS investments.

Effective interest rates range from 1.29% to 5.30%, 1.10% to 5.39%, and 2.06% to 5.83% in 2016, 2015 and 2014, respectively, for foreign currency-denominated AFS investments.

HTM investments bear effective annual interest rates ranging from 3.60% to 5.64% in 2016, 2015 and 2014, respectively.

Trading and Investment Securities Gains (Losses) - net

This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Financial assets at FVPL:						
Held-for-trading	**(₱6,113)**	(₱175,161)	₱197,224	**(₱6,113)**	(₱175,290)	₱196,597
Designated at FVPL	**(3,202)**	–	1,751	**–**	–	–
AFS investments	**1,362,462**	761,191	1,159,492	**1,350,453**	756,777	1,128,511
Derivative financial instruments (Note 23)	**25,174**	(11,709)	(90,761)	**25,174**	(11,709)	(90,761)
	₱1,378,321	₱574,321	₱1,267,706	**₱1,369,514**	₱569,778	₱1,234,347

10. **Loans and Receivables**

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Receivable from customers:				
Loans and discounts	**₱392,159,433**	₱333,910,923	**₱350,840,183**	₱305,051,911
Customers' liabilities on letters of credit and trust receipts	**8,830,606**	10,501,665	**8,600,938**	10,162,498
Credit card receivables	**7,102,207**	5,363,750	**7,102,207**	5,363,750
Bills purchased (Note 22)	**3,596,589**	3,832,905	**3,379,721**	3,498,652
Lease contracts receivable (Note 30)	**3,049,375**	3,686,791	**100,109**	101,709
Customers' liabilities on acceptances (Note 19)	**1,659,340**	344,816	**1,659,340**	344,816
	416,397,550	357,640,850	**371,682,498**	324,523,336
Less unearned and other deferred income	**1,489,955**	1,834,517	**1,116,929**	1,427,774
	414,907,595	355,806,333	**370,565,569**	323,095,562
Unquoted debt securities	**6,972,710**	4,245,069	**6,914,864**	4,245,069
Other receivables:				
Accounts receivable	**9,385,522**	8,212,190	**3,423,593**	3,102,573
Sales contract receivables	**7,449,020**	5,491,409	**7,397,664**	5,487,416
Accrued interest receivable	**3,703,763**	4,968,236	**3,485,881**	4,829,204
Miscellaneous	**501,675**	429,923	**443,289**	401,142
	21,039,980	19,101,758	**14,750,427**	13,820,335
	442,920,285	379,153,160	**392,230,860**	341,160,966
Less allowance for credit losses (Note 16)	**14,892,814**	13,428,014	**14,032,122**	12,860,728
	₱428,027,471	₱365,725,146	**₱378,198,738**	₱328,300,238

Below is the reconciliation of loans and receivables as to classes:

	Consolidated							
	2016							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱329,917,238	₱20,117,661	₱7,346,757	₱34,336,857	₱440,920	₱–	₱–	₱392,159,433
Customers' liabilities on letters of credit and trust receipts	8,830,606	–	–	–	–	–	–	8,830,606
Credit card receivables	66,258	–	–	6,888,616	147,333	–	–	7,102,207
Bills purchased (Note 22)	3,383,938	212,651	–	–	–	–	–	3,596,589
Lease contracts receivable (Note 30)	3,049,375	–	–	–	–	–	–	3,049,375
Customers' liabilities on acceptances (Note 19)	1,659,340	–	–	–	–	–	–	1,659,340
	346,906,755	20,330,312	7,346,757	41,225,473	588,253	–	–	416,397,550
Less unearned and other deferred income	1,044,476	433,275	11,258	785	161	–	–	1,489,955
	345,862,279	19,897,037	7,335,499	41,224,688	588,092	–	–	414,907,595
Unquoted debt securities	–	–	–	–	–	6,972,710	–	6,972,710
Other receivables:								
Accounts receivable	–	–	–	–	–	–	9,385,522	9,385,522
Sales contract receivables	–	–	–	–	–	–	7,449,020	7,449,020
Accrued interest receivable	–	–	–	–	–	–	3,703,763	3,703,763
Miscellaneous	–	–	–	–	–	–	501,675	501,675
	345,862,279	19,897,037	7,335,499	41,224,688	588,092	6,972,710	21,039,980	442,920,285
Less allowance for credit losses (Note 16)	6,846,958	96,030	170,175	1,241,394	19,014	3,687,488	2,831,755	14,892,814
	₱339,015,321	₱19,801,007	₱7,165,324	₱39,983,294	₱569,078	₱3,285,222	₱18,208,225	₱428,027,471

	Consolidated							
	2015							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱274,314,706	₱22,920,494	₱7,804,678	₱28,398,408	₱472,637	₱–	₱–	₱333,910,923
Customers' liabilities on letters of credit and trust receipts	10,501,665	–	–	–	–	–	–	10,501,665
Credit card receivables	59,732	–	–	5,224,371	79,647	–	–	5,363,750
Bills purchased (Note 22)	3,142,231	690,674	–	–	–	–	–	3,832,905
Lease contracts receivable (Note 30)	3,686,791	–	–	–	–	–	–	3,686,791
Customers' liabilities on acceptances (Note 19)	344,816	–	–	–	–	–	–	344,816
	292,049,941	23,611,168	7,804,678	33,622,779	552,284	–	–	357,640,850
Less unearned and other deferred income	1,242,211	573,249	12,023	6,829	205	–	–	1,834,517
	290,807,730	23,037,919	7,792,655	33,615,950	552,079	–	–	355,806,333
Unquoted debt securities	–	–	–	–	–	4,245,069	–	4,245,069
Other receivables:								
Accounts receivable	–	–	–	–	–	–	8,212,190	8,212,190
Sales contract receivables	–	–	–	–	–	–	5,491,409	5,491,409
Accrued interest receivable	–	–	–	–	–	–	4,968,236	4,968,236
Miscellaneous	–	–	–	–	–	–	429,923	429,923
	290,807,730	23,037,919	7,792,655	33,615,950	552,079	4,245,069	19,101,758	379,153,160
Less allowance for credit losses (Note 16)	5,186,186	159,047	148,602	1,113,167	23,066	3,619,267	3,178,679	13,428,014
	₱285,621,544	₱22,878,872	₱7,644,053	₱32,502,783	₱529,013	₱625,802	₱15,923,079	₱365,725,146

	Parent Company							
	2016							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Receivable from customers:								
Loans and discounts	**₱319,861,682**	**₱20,117,661**	**₱7,346,757**	**₱3,100,426**	**₱413,657**	**–**	**–**	**₱350,840,183**
Customers' liabilities on letters of credit and trust receipts	**8,600,938**	**–**	**–**	**–**	**–**	**–**	**–**	**8,600,938**
Credit card receivables	**66,258**	**–**	**–**	**6,888,617**	**147,332**	**–**	**–**	**7,102,207**
Bills purchased (Note 22)	**3,167,071**	**212,650**	**–**	**–**	**–**	**–**	**–**	**3,379,721**
Lease contracts receivable (Note 30)	**100,109**	**–**	**–**	**–**	**–**	**–**	**–**	**100,109**
Customers' liabilities on acceptances (Note 19)	**1,659,340**	**–**	**–**	**–**	**–**	**–**	**–**	**1,659,340**
	333,455,398	**20,330,311**	**7,346,757**	**9,989,043**	**560,989**	**–**	**–**	**371,682,498**
Less unearned and other deferred income	**671,450**	**433,275**	**11,258**	**785**	**161**	**–**	**–**	**1,116,929**
	332,783,948	**19,897,036**	**7,335,499**	**9,988,258**	**560,828**	**–**	**–**	**370,565,569**
Unquoted debt securities	**–**	**–**	**–**	**–**	**–**	**6,914,864**	**–**	**6,914,864**
Other receivables:								
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**3,423,593**	**3,423,593**
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**7,397,664**	**7,397,664**
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**3,485,881**	**3,485,881**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**443,289**	**443,289**
	332,783,948	**19,897,036**	**7,335,499**	**9,988,258**	**560,828**	**6,914,864**	**14,750,427**	**392,230,860**
Less allowance for credit losses (Note 16)	**6,687,544**	**96,030**	**170,175**	**890,093**	**19,012**	**3,687,488**	**2,481,780**	**14,032,122**
	₱326,096,404	**₱19,801,006**	**₱7,165,324**	**₱9,098,165**	**₱541,816**	**₱3,227,376**	**₱12,268,647**	**₱378,198,738**

	Parent Company							
	2015							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱265,051,259	₱22,920,494	₱7,804,678	₱8,816,035	₱459,445	₱–	₱–	₱305,051,911
Customers' liabilities on letters of credit and trust receipts	10,162,498	–	–	–	–	–	–	10,162,498
Credit card receivables	59,732	–	–	5,224,371	79,647	–	–	5,363,750
Bills purchased (Note 22)	2,807,978	690,674	–	–	–	–	–	3,498,652
Lease contracts receivable (Note 30)	101,709	–	–	–	–	–	–	101,709
Customers' liabilities on acceptances (Note 19)	344,816	–	–	–	–	–	–	344,816
	278,527,992	23,611,168	7,804,678	14,040,406	539,092	–	–	324,523,336
Less unearned and other deferred income	835,468	573,249	12,023	6,829	205	–	–	1,427,774
	277,692,524	23,037,919	7,792,655	14,033,577	538,887	–	–	323,095,562
Unquoted debt securities	–	–	–	–	–	4,245,069	–	4,245,069
Other receivables:								
Accounts receivable	–	–	–	–	–	–	3,102,573	3,102,573
Sales contract receivables	–	–	–	–	–	–	5,487,416	5,487,416
Accrued interest receivable	–	–	–	–	–	–	4,829,204	4,829,204
Miscellaneous	–	–	–	–	–	–	401,142	401,142
	277,692,524	23,037,919	7,792,655	14,033,577	538,887	4,245,069	13,820,335	341,160,966
Less allowance for credit losses (Note 16)	5,038,887	159,047	148,602	995,020	23,064	3,619,267	2,876,841	12,860,728
	₱272,653,637	₱22,878,872	₱7,644,053	₱13,038,557	₱515,823	₱625,802	₱10,943,494	₱328,300,238

On November 27, 1997, Maybank Philippines, Inc. (Maybank) and the Parent Company signed a deed of assignment transferring to the Parent Company certain Maybank assets (included in 'Loans and Receivables') and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank.

As of December 31, 2015, the balance of these receivables amounted to ₱3.7 billion (₱1.8 billion is included under 'Loans and discounts' and ₱1.9 billion is included under 'Accrued interest receivable') while the transferred liabilities amounted to ₱3.4 billion (₱1.8 billion is included under 'Bills payable to BSP and local banks' - Note 19 and ₱1.6 billion is included under 'Accrued interest payable' - Note 20). The excess of the transferred receivables over the transferred liabilities is fully covered by an allowance for credit losses amounting to ₱0.3 billion as of December 31, 2015.

In 2016, the Group and the Parent Company applied the transferred liabilities against the principal and interest components of the transferred receivables. As of December 31, 2016, the remaining receivables amounted to ₱0.3 billion, which is fully covered by an allowance.

Unquoted debt instruments
Unquoted debt instruments include the zero-coupon notes received by the Parent Company from Special Purpose Vehicle (SPV) Companies on October 15, 2004, at the principal amount of ₱803.5 million (Tranche A Note) payable in five years and at the principal amount of ₱3.4 billion (Tranche B Note) payable in eight years in exchange for the outstanding loans receivable from National Steel Corporation (NSC) of ₱5.3 billion. The notes are secured by a first ranking mortgage and security interest over the NSC Plant Assets. As of December 31, 2016 and 2015, the notes are carried at their recoverable values.

Lease contract receivables
An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Minimum lease payments				
Due within one year	**₱1,177,612**	₱1,428,529	**₱23,509**	₱17,909
Due beyond one year but not over five years	**1,127,371**	1,498,041	**40,100**	35,900
Due beyond five years	**36,500**	47,900	**36,500**	47,900
	2,341,483	2,974,470	**100,109**	101,709
Residual value of leased equipment				
Due within one year	**249,923**	225,590	–	–
Due beyond one year but not over five years	**457,969**	486,731	–	–
	707,892	712,321	–	–
Gross investment in lease contract receivables (Note 30)	**₱3,049,375**	₱3,686,791	**₱100,109**	₱101,709

Interest income
Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Receivable from customers and sales contract receivables	**₱19,635,249**	₱17,074,179	₱14,650,909	**₱16,874,365**	₱15,092,695	₱13,491,902
Unquoted debt securities	**51,160**	63,478	521,555	**49,499**	58,568	502,891
	₱19,686,409	₱17,137,657	₱15,172,464	**₱16,923,864**	₱15,151,263	₱13,994,793

As of December 31, 2016 and 2015, 75.24% and 82.84%, respectively, of the total receivable from customers of the Group were subject to interest repricing. As of December 31, 2016 and 2015, 76.23% and 76.18%, respectively, of the total receivable from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 2.30% to 8.75% in 2016, 1.10% to 7.00% in 2015, and 2.51% to 9.00% in 2014 for foreign currency-denominated receivables, and from 1.00% to 35.00% in 2016, 0.50% to 15.25% in 2015, and 0.03% to 23.04% in 2014 for peso-denominated receivables.

Sales contract receivables bear fixed interest rate per annum ranging from 5.00% to 21.00%, 3.30% to 21.00%, and 5.05% to 21.00% in 2016, 2015 and 2014, respectively.

Interest income accrued on impaired loans and receivable of the Group and Parent Company amounted to ₱103.7 million in 2016, ₱217.0 million in 2015, and ₱274.8 million in 2014. (Note 16).

BSP Reporting

An industry sector analysis of the Group's and the Parent Company's receivable from customers before taking into account the unearned and other deferred income and allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2016		2015		**2016**		2015	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱64,806,163**	**15.56**	₱38,910,047	10.88	**₱64,415,801**	**17.33**	₱38,565,876	11.88
Wholesale and retail	**61,414,279**	**14.75**	51,740,591	14.47	**57,682,565**	**15.52**	47,900,547	14.76
Electricity, gas and water	**49,814,968**	**11.96**	49,944,409	13.96	**49,687,531**	**13.37**	49,873,733	15.37
Manufacturing	**39,939,856**	**9.59**	42,115,959	11.78	**37,085,522**	**9.98**	38,252,329	11.79
Transport, storage and communication	**36,542,499**	**8.78**	29,358,316	8.21	**34,276,937**	**9.22**	27,136,991	8.36
Public administration and defense	**24,676,655**	**5.93**	26,128,861	7.31	**24,601,304**	**6.62**	26,128,860	8.05
Agriculture, hunting and forestry	**5,490,920**	**1.32**	6,211,092	1.74	**5,044,898**	**1.36**	5,690,508	1.76
Secondary target industry:								
Real estate, renting and business activities	**59,701,406**	**14.34**	45,723,378	12.78	**53,719,909**	**14.45**	38,240,191	11.78
Construction	**16,819,358**	**4.04**	11,697,215	3.27	**14,574,409**	**3.92**	9,898,467	3.05
Others	**57,191,446**	**13.73**	55,810,982	15.60	**30,593,622**	**8.23**	42,835,834	13.20
	₱416,397,550	**100.00**	₱357,640,850	100.00	**₱371,682,498**	**100.00**	₱324,523,336	100.00

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivable from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2016		2015		**2016**		2015	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱62,257,711**	**14.95**	₱57,028,872	15.94	**₱45,697,957**	**12.30**	₱42,625,055	13.13
Chattel mortgage	**33,531,566**	**8.05**	17,162,402	4.80	**25,326,989**	**6.81**	10,723,203	3.30
Bank deposit hold-out	**14,034,793**	**3.38**	1,924,828	0.54	**13,938,107**	**3.75**	1,924,828	0.59
Shares of stocks	**1,681,531**	**0.40**	889,340	0.25	**1,681,531**	**0.45**	694,769	0.22
Others	**38,699,661**	**9.29**	30,352,753	8.49	**35,368,522**	**9.52**	26,431,424	8.15
	150,205,262	**36.07**	107,358,195	30.02	**122,013,106**	**32.83**	82,399,279	25.39
Unsecured	**266,192,288**	**63.93**	250,282,655	69.98	**249,669,392**	**67.17**	242,124,057	74.61
	₱416,397,550	**100.00**	₱357,640,850	100.00	**₱371,682,498**	**100.00**	₱324,523,336	100.00

The table below reflects the balances of loans and receivables as reported to the BSP. For purposes of BSP reporting, the acquired loans and receivables were measured based on their original amortized cost as at acquisition date instead of their corresponding fair values.

Non-performing Loans (NPL) of the Parent Company as to secured and unsecured follows:

	2016	2015
Secured	**₱4,918,225**	₱5,888,561
Unsecured	**3,853,334**	3,090,858
	₱8,771,559	₱8,979,419

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. Effective January 1, 2013, the exclusion of NPLs classified as loss but are fully covered by allowance was removed by the BSP through Circular No. 772. Previous banking regulations allow banks that have no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification those loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued.

As of December 31, 2016 and 2015, based on the revised definition of NPLs under Circular No. 772, NPLs of ₱8.8 billion and ₱8.9 billion, respectively which the Parent Company reported to the BSP are gross of specific allowance amounting to ₱8.3 billion and ₱8.1 billion, respectively. Most of these loans are secured by real estate or chattel mortgages.

As of December 31, 2016 and 2015, gross and net NPL ratios of the Parent Company were 2.31% and 0.18%, and 2.61% and 0.25%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2016 and 2015 amounted to ₱1.5 billion and ₱1.6 billion, respectively.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated						
	2016						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction In-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	**₱15,552,766**	**₱6,894,418**	**₱4,686,714**	**₱553,988**	**₱341,366**	**₱841,052**	**₱28,870,304**
Additions/transfers	**–**	**206,910**	**965,326**	**–**	**669,094**	**187,009**	**2,028,339**
Disposals/transfers/others	**(4,082,341)**	**(1,383,567)**	**(704,936)**	**13,282**	**(312,329)**	**66,556**	**(6,403,335)**
Balance at end of year	**11,470,425**	**5,717,761**	**4,947,104**	**567,270**	**698,131**	**1,094,617**	**24,495,308**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**2,641,945**	**3,105,944**	**23,595**	**–**	**509,279**	**6,280,763**
Depreciation and amortization	**–**	**235,546**	**623,153**	**5,199**	**–**	**149,779**	**1,013,677**
Disposals/transfers/others	**–**	**(306,325)**	**(811,426)**	**4,508**	**–**	**(11,477)**	**(1,124,720)**
Balance at end of year	**–**	**2,571,166**	**2,917,671**	**33,302**	**–**	**647,581**	**6,169,720**
Allowance for Impairment Losses (Note 16)	**121,033**	**107,200**	**–**	**–**	**–**	**–**	**228,233**
Net Book Value at End of Year	**₱11,349,392**	**₱3,039,395**	**₱2,029,433**	**₱533,968**	**₱698,131**	**₱447,036**	**₱18,097,355**

	Consolidated						
	2015						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction In-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱13,294,729	₱6,716,569	₱4,027,169	₱536,081	₱238,083	₱702,604	₱25,515,235
Additions/transfers	2,259,224	217,072	1,082,544	–	431,635	175,953	4,166,428
Disposals/transfers/others	(1,187)	(36,121)	(382,562)	–	(328,352)	(24,033)	(772,255)
Cumulative translation adjustment	–	(3,102)	1,697	17,907	–	594	17,096
Effect of disposal group classified as held for sale (Note 37)	–	–	(42,134)	–	–	(14,066)	(56,200)
Balance at end of year	15,552,766	6,894,418	4,686,714	553,988	341,366	841,052	28,870,304
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,362,174	2,925,285	9,456	–	414,431	5,711,346
Depreciation and amortization	–	234,400	479,662	5,030	–	122,275	841,367
Disposals/transfers/others	–	49,010	(281,903)	–	–	(17,486)	(250,379)
Cumulative translation adjustment	–	(3,639)	(537)	9,109	–	150	5,083
Effect of disposal group classified as held for sale (Note 37)	–	–	(16,563)	–	–	(10,091)	(26,654)
Balance at end of year	–	2,641,945	3,105,944	23,595	–	509,279	6,280,763
Allowance for Impairment Losses (Note 16)	351,373	109,704	–	–	–	–	461,077
Net Book Value at End of Year	₱15,201,393	₱4,142,769	₱1,580,770	₱530,393	₱341,366	₱331,773	₱22,128,464

	Parent Company					
	2016					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	**₱13,380,915**	**₱6,831,425**	**₱3,936,183**	**₱341,366**	**₱726,223**	**₱25,216,112**
Additions/transfers	–	**206,910**	**716,982**	**669,094**	**147,352**	**1,740,338**
Disposals/transfers/others	**(2,114,746)**	**(1,550,138)**	**(706,311)**	**(312,328)**	**2,849**	**(4,680,674)**
Balance at end of year	**11,266,169**	**5,488,197**	**3,946,854**	**698,132**	**876,424**	**22,275,776**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**2,621,673**	**2,747,940**	**–**	**437,600**	**5,807,213**
Depreciation and amortization	**–**	**234,210**	**476,638**	**–**	**124,619**	**835,467**
Disposals/transfers/others	**–**	**(337,825)**	**(759,246)**	**–**	**(3,113)**	**(1,100,184)**
Balance at end of year	**–**	**2,518,058**	**2,465,332**	**–**	**559,106**	**5,542,496**
Allowance for Impairment Losses (Note 16)	**121,033**	**107,200**	**–**	**–**	**–**	**228,233**
Net Book Value at End of Year	**₱11,145,136**	**₱2,862,939**	**₱1,481,522**	**₱698,132**	**₱317,318**	**₱16,505,047**

	Parent Company					
	2015					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱13,292,296	₱6,653,863	₱3,377,862	₱238,083	₱595,174	₱24,157,278
Additions/transfers	89,806	217,072	780,849	431,635	147,591	1,666,953
Disposals/transfers/others	(1,187)	(39,510)	(222,528)	(328,352)	(16,542)	(608,119)
Balance at end of year	13,380,915	6,831,425	3,936,183	341,366	726,223	25,216,112
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	2,341,778	2,563,525	–	340,107	5,245,410
Depreciation and amortization	–	233,174	371,448	–	105,920	710,542
Disposals/transfers/others	–	46,721	(187,033)	–	(8,427)	(148,739)
Balance at end of year	–	2,621,673	2,747,940	–	437,600	5,807,213
Allowance for Impairment Losses (Note 16)	154,997	109,704	–	–	–	264,701
Net Book Value at End of Year	₱13,225,918	₱4,100,048	₱1,188,243	₱341,366	₱288,623	₱19,144,198

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱234.9 million and ₱548.9 million as of December 31, 2016 and 2015, respectively.

Gain on disposal of property and equipment in 2016, 2015 and 2014 amounted to ₱1.2 million, ₱7.7 million, and ₱12.1 million, respectively, for the Group and ₱1.5 million, ₱3.7 million and ₱12.4 million, respectively, for the Parent Company (Note 13).

Depreciation and amortization consists of:

	Consolidated			**Parent Company**		
	2016	2015	2014	**2016**	2015	2014
Continuing operations:						
Depreciation						
Property and equipment	**₱1,013,677**	₱830,663	₱795,065	**₱835,467**	₱710,542	₱674,965
Investment properties (Note 13)	**226,545**	162,097	190,727	**206,472**	149,309	183,382
Chattel mortgage	**22,000**	35,285	23,455	**22,001**	33,748	23,281
Amortization - Intangible assets (Note 14)	**292,423**	424,176	472,684	**279,643**	412,180	460,582
	1,554,645	1,452,221	1,481,931	**1,343,583**	1,305,779	1,342,210
Discontinued operations:						
Property and Equipment (Note 37)	**4,707**	10,704	14,039	–	–	–
	₱1,559,352	₱1,462,925	₱1,495,970	**₱1,343,583**	₱1,305,779	₱1,342,210

Certain property and equipment of the Parent Company with carrying amount of ₱178.5 million and ₱180.8 million are temporarily idle as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, property and equipment of the Parent Company with gross carrying amounts of ₱3.3 billion and ₱3.4 billion, respectively, are fully depreciated but are still being used.

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

Subsidiaries	Nature of Business	Country of Incorporation	Functional Currency	Percentage of Ownership 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect
PNB Savings Bank (PNBSB)*	Banking	Philippines	Php	**100.00**	–	100.00	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–	100.00	–
PNB Forex, Inc. (PNB Forex)	FX trading	- do -	Php	**100.00**	–	100.00	–
PNB Holdings Corporation (PNB Holdings)	Investment	- do -	Php	**100.00**	–	100.00	–
PNB General Insurers Inc.(PNB Gen)	Insurance	- do -	Php	**65.75**	**34.25**	65.75	34.25
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–	100.00	–
PNB Corporation – Guam	Remittance	USA	USD	**100.00**	–	100.00	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–	100.00	–
PNB Remittance Centers, Inc. (PNB RCI) (a)	Remittance	- do -	USD	–	**100.00**	–	100.00
PNB Remittance Co. (Nevada) (b)	Remittance	-do-	USD	–	**100.00**	–	100.00
PNB RCI Holding Co. Ltd. (b)	Holding Company	- do -	USD	–	**100.00**	–	100.00
Allied Bank Philippines (UK) Plc (ABUK)*	Banking	United Kingdom	GBP	**100.00**	–	100.00	–
PNB Europe PLC	Banking	- do -	GBP	**100.00**	–	100.00	–
PNB Remittance Co. (Canada) (c)	Remittance	Canada	CAD	–	**100.00**	–	100.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–	100.00	–
Allied Commercial Bank (ACB)* (d)	Banking	People's Republic of China	USD	**99.04**	–	99.04	–
PNB-IBJL Leasing and Finance Corporation (PILFC)(e)	Leasing/Financing	Philippines	Php	**75.00**	–	75.00	–
PNB-IBJL Equipment Rentals Corporation(f)	Rental	- do -	Php	–	**75.00**	–	75.00
Allianz-PNB Life Insurance, Inc. (APLII) (formerly PNB LII) *(g)	Insurance	- do -	Php	**44.00**	–	80.00	–
Allied Leasing and Finance Corporation (ALFC) *	Rental	- do -	Php	**57.21**	–	57.21	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL) *	Banking	Hong Kong	HKD	**51.00**	–	51.00	–
ACR Nominees Limited *	Banking	- do -	HKD	–	**51.00**	–	51.00
Oceanic Holding (BVI) Ltd.*	Holding Company	British Virgin Islands	USD	**27.78**	–	27.78	–

** Subsidiaries acquired as a result of the merger with ABC*
(a) *Owned through PNB IIC*
(b) *Owned through PNB RCI*
(c) *Owned through PNB RCI Holding Co. Ltd.*
(d) *Purchase of additional shares was approved by BSP and China Banking Regulatory Commission on June 4, 2014 and November 12, 20015, respectively. On November 27, 2015, the Parent company purchased 8.63% ownership interest from individual stockholders.*
(e) *Formerly Japan-PNB Leasing*
(f) *Formerly Japan-PNB Equipment Rentals Corporation. Owned through PILFC*
(g) *As of December 31, 2015, APLII was classified as a disposal group held for sale and as a discontinued operation. The acquisition of the shares of APLII by Allianz SE was completed on June 6, 2016. As of December 31, 2016, the Group owns 44.0% interest in APLII and is presented as investment in an associate in the statement of financial position.*

The details of this account follow:

	Consolidated		Parent Company		
	December 31				January 1
				2015	2015
	2016	2015	**2016**	(As restated)	(As restated)
Investment in Subsidiaries					
PNB SB	**₱–**	₱–	**₱10,935,041**	₱10,935,041	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520	5,485,747
PNB IIC	**–**	–	**2,028,202**	2,028,202	2,028,202
PNB Europe PLC	**–**	–	**1,006,537**	1,006,537	1,006,537
ABCHKL	**–**	–	**947,586**	947,586	947,586
PNB GRF	**–**	–	**753,061**	753,061	753,061
PNB Gen	**–**	–	**600,000**	600,000	600,000
PNB Holdings	**–**	–	**377,876**	377,876	377,876
PNB Capital	**–**	–	**350,000**	350,000	350,000
ABUK	**–**	–	**320,858**	320,858	320,858
OHBVI	**–**	–	**291,841**	291,841	291,840
PILFC	**–**	–	**181,942**	181,942	218,331
ALFC	**–**	–	**148,400**	148,400	148,400
PNB Securities	**–**	–	**62,351**	62,351	62,351
PNB Forex, Inc.	**–**	–	**50,000**	50,000	50,000
APLII	**–**	–	**–**	481,068	1,327,083
PNB Corporation - Guam	**–**	–	**7,672**	7,672	7,672
	–	–	**24,148,887**	24,629,955	24,910,585
Investment in an Associate	**2,728,089**	–	**2,728,089**	–	–
Accumulated equity in net earnings of subsidiaries and an associate:					
Balance at beginning of year	**–**	–	**1,455,689**	1,875,373	935,968
Equity in net earnings for the year	**49,325**	–	**255,292**	251,852	1,007,198
Transfer to 'Investment in an associate'		–	**(347,023)**	–	–
Transfer to 'Assets of a disposal group held for sale'	**–**	–	**–**	(326,948)	–
Transfer to 'Reserves of a disposal group held for sale'	**–**	–	**–**	(85,106)	–
Sale of direct interest in a subsidiary	**–**	–	**–**	(79,482)	–
	49,325	–	**1,363,958**	1,635,689	1,943,166
Dividends received for the year	**–**	–	**(66,125)**	(180,000)	(67,793)
	49,325	–	**1,297,833**	1,455,689	1,875,373
Accumulated share in:					
Net unrealized losses on available-for-sale investments (Note 9)	**(245,867)**	–	**(261,483)**	(7,735)	(59,641)
Remeasurement losses on retirement plan	**1,208**	–	**(31,363)**	(37,932)	(43,003)
Accumulated translation adjustments	**–**	–	**477,908**	457,755	(128,457)
	(244,659)	–	**185,062**	412,088	(231,101)
	₱2,532,755	₱–	**₱28,359,871**	₱26,497,732	₱26,554,857

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

As of December 31, 2016 and 2015, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and is not available for dividend declaration.

Material non-controlling interests
The financial information as of December 31, 2016 and 2015 of subsidiaries which have material NCI is provided below.

Proportion of equity interest held by non- controlling interests

		Equity interest of NCI		**Accumulated balances of material NCI**		**Profit allocated to material NCI**	
	Principal Activities	**2016**	2015	**2016**	2015	**2016**	2015
ABCHKL	Banking	**49.00%**	49.00%	**₱1,427,340**	₱1,322,771	**₱41,667**	₱80,376
APLII	Insurance	–	20.00%	–	414,828	–	71,586

The following tables present financial information of subsidiaries with material non-controlling interests as of December 31, 2016 and 2015:

	2016	2015	
	ABCHKL	APLII	ABCHKL
Statement of Financial Position			
Current assets	**₱7,528,024**	₱9,973,869	₱6,288,564
Non-current assets	**3,877,748**	13,552,891	4,309,709
Current liabilities	**8,244,753**	9,264,101	7,722,515
Non-current liabilities	**164,164**	12,188,520	176,225
Statement of Comprehensive Income			
Revenues	**345,376**	2,361,982	404,547
Expenses	**260,342**	2,004,051	240,514
Net income	**85,034**	357,931	164,033
Total comprehensive income (loss)	**134,237**	(61,693)	125,354
Statement of Cash Flows			
Net cash provided by operating activities	**116,786**	1,210,588	200,843
Net cash provided used in investing activities	**(69,200)**	(815,306)	(640)
Net cash used in financing activities	–	–	193,904

As of December 31, 2016 and 2015, the non-controlling interests in respect of ALFC, PILFC, ACB and OHBVI is not material to the Group.

Investment in APLII
On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of APLII and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of "Allianz-PNB Life Insurance, Inc.";
- A 15-year distribution agreement which will provide Allianz an exclusive access to the branch network of the Parent Company and PNB SB.

As of December 31, 2015, the carrying value of the 51% equity interest in APLII amounting to ₱1.2 billion was classified as “Assets of Disposal Group Held for Sale” in the separate statement of financial position.

The sale of APLII was completed on June 6, 2016 for a total consideration of USD66.0 million (₱3.1 billion). Pursuant to the sale of APLII, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, over a period of 15 years. Both the share purchase agreement and distribution agreement have provisions referring to one another; making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in APLII and the Exclusive Distribution Rights (EDR) amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively.

The Parent Company will also receive variable annual and fixed bonus earn out payments based on milestones achieved over the 15-year term of the distribution agreement.

The Parent Company recognized gain on sale of the 51.00% interest in APLII amounting to ₱400.3 million, net of taxes and transaction costs amounting to ₱276.7 million and ₱153.3 million, respectively. The consideration allocated to the EDR was recognized as “Other Deferred Revenue” and will be amortized to income over 15 years from date of sale.

Prior to the sale of shares to Allianz SE, the Parent Company acquired additional 15.00% stockholdings from the minority shareholders for a consideration amounting to ₱292.4 million between June 2, 2016 and June 5, 2016.

Consequently, the Parent Company accounted for its remaining 44.00% ownership interest in APLII as an associate. At the date of loss of control, the Parent Company’s investment in APLII was remeasured to ₱2.7 billion based on the fair value of its retained equity. The Parent Company recognized gain on remeasurement amounting to ₱1.6 billion in the statement of income in 2016.

The fair value of the retained equity was based on a combination of the income approach and market approach.

On September 21, 2016, the SEC approved the amendment of PNB Life Insurance, Inc.’s article of incorporation to reflect the change in corporate name to Allianz-PNB Life Insurance, Inc.

Summarized financial information of APLII as of December 31, 2016 are as follows:

Current assets	₱14,812,452
Noncurrent assets	9,602,162
Current liabilities	14,287,861
Noncurrent liabilities	7,995,855
Equity	2,130,898

Summarized statement of income of APLII for the seven months ended December 31, 2016 follows:

Revenues	₱1,164,407
Costs and expenses	(1,022,543)
Income before tax	141,684
Provision for income tax	(29,762)
Net income	112,101
Other comprehensive loss	(556,042)
Total comprehensive income	(₱443,941)
Group's share of comprehensive income for the period	(₱195,334)

Investment in ACB
In August 2009, the Parent Company acquired 39.41% ownership in ACB in Xiamen China for a total consideration of CNY394.1 million or USD57.7 million (equivalent to ₱2.8 billion).

With its merger with ABC in 2013 (Note 1), the Parent Company's equity interest in ACB increased from 39.41% to 90.41%. This resulted in change in accounting for such investment from an associate to a subsidiary. In accordance with PFRS 3, the step-up acquisition of investment in ACB is accounted for as a disposal of the equity investment in ACB and the line by line consolidation of ACB's assets and liabilities in the Group's financial statements. The fair value of consideration received from the step-up acquisition is equal to the carrying value of the disposed investment in ACB.

On November 22, 2013, the BOD of the Parent Company approved and confirmed the increase in equity investment of the Parent Company in ACB as a prerequisite to ACB's application for CNY license, by way of purchase of the 9.59% shareholdings of the natural–person investors in ACB in the amount of USD13.8 million. This was approved by BSP on June 4, 2014. On November 12, 2015, the China Banking Regulatory Commission approved the takeover of the Parent Company of the 51.00% shareholdings held by ABC and the buyout of the 8.63% shareholdings of six natural-person investors in ACB resulting in the increase of equity ownership in ACB to 99.04%. The Parent Company paid the natural-person investors on November 27, 2015. This acquisition was accounted for as an equity transaction which resulted in an increase of other equity adjustment amounting to ₱14.5 million in the consolidated statement of financial position.

PNB Forex
On August 23, 2013, the Parent Company approved the dissolution of PNB Forex by shortening its corporate life to December 31, 2013. PNB Forex ceased its business operations on January 1, 2006. As of December 31, 2016, PNB Forex is still in the process of complying with the requirements of regulatory agencies to effect the dissolution.

PNB SB
On November 28, 2014, the Parent Company infused additional capital to PNB SB amounting to ₱10.0 billion which will be used to build and refocus the Group's consumer lending business. The infusion of additional equity to PNB SB was approved by the BSP on February 28, 2014.

PILFC
On November 28, 2014, the BOD of the Parent Company approved the sell back by the Parent Company to IBJ Leasing (IBJL) of its 15.00% equity ownership in PILFC. Under the terms of the new and expanded partnership, IBJL increased its stake in PILFC from 10.00% to 25.00%, and the Parent Company's stake decreased from 90.00% to 75.00%. The total consideration from the sale

of 15.00% equity ownership amounted to ₱102.6 million and the Parent Company recognized loss from disposal amounting to ₱12.2 million in its statement of income. This sale was accounted for as an equity transaction which resulted in a decrease of other equity adjustment amounting to ₱0.5 million in the consolidated statement of financial position.

PNB Gen
The Parent Company contributed ₱600.0 million to PNB Gen in 2014 to acquire 65.75% direct interest ownership over the latter. In 2013, the Parent Company has indirect ownership over PNB Gen through PNB Holdings. The additional capital of PNB Gen is meant to strengthen the financial position of the subsidiary considering that it suffered a net loss in 2013. Further, the restructuring of relationships between the entities in the Group have no impact on the consolidated financial statements.

PNB Italy SpA (PISpA)
PISpA was liquidated on November 9, 2014. The Group will shift to an agent-arrangement to continue remittance business in Italy.

Significant restrictions
The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

The BSP and IC regulations require banks and insurance companies to maintain certain levels of regulatory capital. As of December 31, 2016 and 2015, the total assets of banking subsidiaries amounted to ₱59.8 billion and ₱57.1 billion, respectively; and ₱6.9 billion and ₱30.8 billion for insurance subsidiaries, respectively.

13. Investment Properties

Breakdown of investment properties:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Properties held for lease	**₱4,821,335**	₱–	**₱5,137,644**	₱1,974,560
Foreclosed assets	**11,519,917**	13,230,005	**10,837,486**	12,692,271
Total	**₱16,341,252**	₱13,230,005	**₱15,975,130**	₱14,666,831

The composition of and movements in this account follow:

	Consolidated		
	2016		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,287,746**	**₱3,989,636**	**₱18,277,382**
Additions	**386,491**	**295,019**	**681,510**
Disposals/transfers/others	**1,634,996**	**777,643**	**2,412,639**
Balance at end of year	**16,309,233**	**5,062,298**	**21,371,531**

(Forward)

	Consolidated 2016 Land	Consolidated 2016 Buildings and Improvements	Consolidated 2016 Total
Accumulated Depreciation			
Balance at beginning of year	**₱–**	**₱1,753,738**	**₱1,753,738**
Depreciation (Note 11)	**–**	**226,545**	**226,545**
Disposals/transfers/others	**–**	**(246,345)**	**(246,345)**
Balance at end of year	**–**	**1,733,938**	**1,733,938**
Allowance for Impairment Losses (Note 16)	**2,999,854**	**296,487**	**3,296,341**
Net Book Value at End of Year	**₱13,309,379**	**₱3,031,873**	**₱16,341,252**

	Consolidated 2015 Land	Consolidated 2015 Buildings and Improvements	Consolidated 2015 Total
Cost			
Beginning balance	₱21,411,572	₱4,450,944	₱25,862,516
Additions	313,968	191,294	505,262
Disposals/transfers/others	(7,446,794)	(653,612)	(8,100,406)
Cumulative translation adjustments	9,000	1,010	10,010
Balance at end of year	14,287,746	3,989,636	18,277,382
Accumulated Depreciation			
Balance at beginning of year	–	1,856,814	1,856,814
Depreciation (Note 11)	–	162,097	162,097
Disposals/transfers/others	–	(265,343)	(265,343)
Cumulative translation adjustments	–	170	170
Balance at end of year	–	1,753,738	1,753,738
Allowance for Impairment Losses (Note 16)	2,855,093	438,546	3,293,639
Net Book Value at End of Year	₱11,432,653	₱1,797,352	₱13,230,005

	Parent Company 2016 Land	Parent Company 2016 Buildings and Improvements	Parent Company 2016 Total
Cost			
Beginning balance	**₱16,096,896**	**₱3,760,994**	**₱19,857,890**
Additions	**352,577**	**256,621**	**609,198**
Disposals/Transfers/Others	**(108,319)**	**609,954**	**501,635**
Balance at end of year	**16,341,154**	**4,627,569**	**20,968,723**
Accumulated Depreciation			
Balance at beginning of year	–	**1,705,410**	**1,705,410**
Depreciation (Note 11)	–	**206,472**	**206,472**
Disposals/Transfers/Others	–	**(219,361)**	**(219,361)**
Balance at end of year	–	**1,692,521**	**1,692,521**
Allowance for Impairment Losses (Note 16)	**2,999,854**	**301,218**	**3,301,072**
Net Book Value at End of Year	**₱13,341,300**	**₱2,633,830**	**₱15,975,130**

	Parent Company 2015 Land	Parent Company 2015 Buildings and Improvements	Parent Company 2015 Total
Cost			
Beginning balance	₱21,108,095	₱4,218,699	₱25,326,794
Additions	261,352	172,600	433,952
Disposals/Transfers/Others	(5,272,551)	(630,305)	(5,902,856)
Balance at end of year	16,096,896	3,760,994	19,857,890

(Forward)

	Parent Company		
	2015		
	Land	Buildings and Improvements	Total
Accumulated Depreciation			
Balance at beginning of year	₱–	₱1,813,425	₱1,813,425
Depreciation (Note 11)	–	149,309	149,309
Disposals/Transfers/Others	–	(257,324)	(257,324)
Balance at end of year	–	1,705,410	1,705,410
Allowance for Impairment Losses (Note 16)	3,051,469	434,180	3,485,649
Net Book Value at End of Year	₱13,045,427	₱1,621,404	₱14,666,831

Investment properties include real properties foreclosed or acquired in settlement of loans. Foreclosed investment properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱155.4 million and ₱150.0 million, as of December 31, 2016 and 2015, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱7.0 billion and ₱7.5 billion as of December 31, 2016 and 2015, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱6.9 billion and ₱7.3 billion as of December 31, 2016 and 2015, respectively.

In 2015, investment properties with carrying value of ₱2.2 billion were converted as branches and head offices of its subsidiaries and were transferred to property and equipment by the Group. Also in 2015, investment properties under joint arrangements with total carrying value of ₱1.2 billion were transferred to Real Estate Inventories Held under Development under 'Other Assets' (Note 15). Property and equipment with carrying value of ₱54.5 million were leased out under operating leases and have been transferred to investment properties in 2015.

In 2016, the Group and the Parent Company reclassified certain properties from 'Property and equipment' to 'Investment property' with aggregate carrying amount of ₱4.7 billion and ₱3.2 billion, respectively. These properties mainly consist of the office spaces in the Allied Bank Center in Makati leased out and land in Buendia, Makati being held for future development.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱13.6 million, ₱30.5 million and ₱26.4 million in 2016, 2015, and 2014, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱201.8 million, ₱192.4 million and ₱134.3 million in 2016, 2015, and 2014, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱8.3 million, ₱20.4 million and ₱23.3 million in 2016, 2015, and 2014, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱201.6 million, ₱182.7 million and ₱132.6 million in 2016, 2015, and 2014, respectively.

Net gains on sale or exchange of assets

This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Net gains from sale of investment property (Note 34)	**₱2,343,634**	₱1,435,798	₱1,072,653	**₱2,387,472**	₱1,400,650	₱1,058,574
Net gains from foreclosure and repossession of investment property	**165,570**	152,061	368,341	**128,927**	152,553	364,745
Net gains from sale of property and equipment (Note 11)	**1,157**	7,659	12,053	**1,462**	3,741	12,407
Net gains from sale of receivables (Note 34)	**–**	–	–	**–**	24,441	–
	₱2,510,361	₱1,595,518	₱1,453,047	**₱2,517,861**	₱1,581,385	₱1,435,726

14. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	Consolidated				
	2016				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱1,830,957**	**₱4,120,689**	**₱13,375,407**
Additions	**–**	**–**	**406,053**	**406,053**	**–**
Write-offs	**–**	**–**	**(894)**	**(894)**	**–**
Cumulative translation adjustment	**–**	**–**	**3,146**	**3,146**	**–**
Balance at end of year	**1,897,789**	**391,943**	**2,239,262**	**4,528,994**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**549,304**	**378,153**	**750,354**	**1,677,811**	**–**
Amortization (Note 11)	**189,779**	**13,790**	**88,854**	**292,423**	**–**
Cumulative translation adjustment	**–**	**–**	**(3,609)**	**(3,609)**	**–**
Balance at end of year	**739,083**	**391,943**	**835,599**	**1,966,625**	**–**
Net Book Value at End of Year	**₱1,158,706**	**₱–**	**₱1,403,663**	**₱2,562,369**	**₱13,375,407**

	Consolidated				
	2015				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱1,254,343	₱3,544,075	₱13,375,407
Additions	–	–	571,768	571,768	–
Write-offs	–	–	(704)	(704)	–
Cumulative translation adjustment	–	–	5,550	5,550	–
Balance at end of year	1,897,789	391,943	1,830,957	4,120,689	13,375,407
Accumulated Amortization					
Balance at beginning of year	359,525	247,505	642,221	1,249,251	–
Amortization (Note 11)	189,779	130,648	103,749	424,176	–
Write-offs	–	–	(704)	(704)	–
Cumulative translation adjustment	–	–	5,088	5,088	–
Balance at end of year	549,304	378,153	750,354	1,677,811	–
Net Book Value at End of Year	₱1,348,485	₱13,790	₱1,080,603	₱2,442,878	₱13,375,407

	Parent Company				
	2016				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱1,701,224**	**₱3,990,956**	**₱13,515,765**
Additions	**–**	**–**	**404,837**	**404,837**	**–**
Write-offs	**–**	**–**	**(15)**	**(15)**	**–**
Cumulative translation adjustment	**–**	**–**	**186**	**186**	**–**
Balance at end of year	**1,897,789**	**391,943**	**2,106,232**	**4,395,964**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**549,304**	**378,153**	**717,253**	**1,644,710**	**₱–**
Amortization (Note 11)	**189,779**	**13,790**	**76,074**	**279,643**	**–**
Cumulative translation adjustment	**–**	**–**	**160**	**160**	**–**
Balance at end of year	**739,083**	**391,943**	**793,487**	**1,924,513**	**–**
Net Book Value at End of Year	**₱1,158,706**	**₱–**	**₱1,312,745**	**₱2,471,451**	**₱13,515,765**

	Parent Company				
	2015				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱1,142,782	₱3,432,514	₱13,515,765
Additions	–	–	558,372	558,372	–
Cumulative translation adjustment	–	–	70	70	–
Balance at end of year	1,897,789	391,943	1,701,224	3,990,956	13,515,765
Accumulated Amortization					
Balance at beginning of year	359,525	247,505	625,382	1,232,412	–
Amortization (Note 11)	189,779	130,648	91,753	412,180	–
Cumulative translation adjustment	–	–	118	118	–
Balance at end of year	549,304	378,153	717,253	1,644,710	–
Net Book Value at End of Year	₱1,348,485	₱13,790	₱983,971	₱2,346,246	₱13,515,765

Core deposit (CDI) and customer relationship (CRI)
CDI and CRI are the intangible assets acquired through the merger of the Parent Company with ABC. CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments.

Software cost
Software cost as of December 31, 2016 and 2015 includes capitalized development costs amounting to ₱1.2 billion and ₱797.7 million, respectively, related to the Parent Company's new core banking system which is expected to be completed and available for use by 2017.

Goodwill
As discussed in Note 1, on February 9, 2013, the Parent Company acquired 100.00% of voting common stock of ABC, a listed universal bank. The acquisition of ABC was made to strengthen the Parent Company's financial position and enlarge its operations.

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the non-controlling interest in the acquiree at proportionate share of identifiable assets and liabilities.

The business combination resulted in recognition of goodwill which is determined as follows:

Purchase consideration transferred	₱41,505,927
Add: Proportionate share of the non-controlling interest in the net assets of ABC	2,768,380
Acquisition-date fair value of previously held interest in subsidiaries	2,471,630
Less: Fair values of net identifiable assets and liabilities assumed	33,370,530
Goodwill	₱13,375,407

Impairment testing of goodwill and intangible asset
Goodwill acquired through business combinations has been allocated to three CGUs which are also reportable segments, namely: retail banking, corporate banking and treasury. Goodwill allocated to the CGUs amounted to ₱6.2 billion, ₱4.2 billion and ₱3.1 billion, respectively. CDI is allocated to retail banking while CRI is allocated to corporate banking.

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. CDI and CRI, on the other hand, are assessed for impairment where indicator(s) of objective evidence of impairment has been identified. Impairment testing is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGUs' fair value less costs to sell and its value in use. The goodwill impairment test in 2015 and 2014 did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

Key assumptions used in value in use calculations
The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2016			2015		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**11.17%**	**11.19%**	**8.99%**	11.21%	13.11%	7.82%
Projected growth rate	**6.50%**	**6.50%**	**6.50%**	6.03%	6.03%	6.03%

The calculation of value in use for retail banking, corporate banking and treasury cash generating units is most sensitive to interest margin, discount rates, market share during the budget period, projected growth rates used to extrapolate cash flows beyond the budget period, and current local gross domestic product.

Discount rate
The discount rate applied have been determined based on cost of equity for retail and corporate banking segments and weighted average cost of capital for treasury segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium,

risk-free interest rate and the beta factor. The values for the risk-free interest rate, the market risk premium and the beta factors were obtained from external sources of information.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the units to exceed their recoverable amount.

15. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial				
Return checks and other cash items	**₱249,528**	₱103,667	**₱254,420**	₱95,886
Checks for clearing	**198,109**	119,134	**198,109**	119,134
Security deposits	**109,944**	78,922	**71,713**	38,775
Receivable from SPV	**500**	500	**500**	500
Others	**10,186**	748	**6,535**	356
	568,267	302,971	**531,277**	254,651
Non-financial				
Creditable withholding taxes	**4,193,254**	3,770,716	**4,187,074**	3,675,683
Real estate inventories held under development	**728,752**	1,235,530	**728,752**	1,235,530
Deferred reinsurance premium	**627,861**	786,287	**–**	–
Deferred benefits	**532,938**	401,231	**458,119**	326,380
Prepaid expenses	**470,882**	395,671	**330,930**	328,489
Documentary stamps on hand	**214,969**	221,088	**212,145**	134,459
Stationeries and supplies	**64,900**	78,764	**59,433**	72,798
Chattel mortgage properties-net of depreciation	**36,586**	51,086	**35,046**	47,848
Other investments	**22,201**	37,664	**18,862**	16,696
Miscellaneous	**401,510**	339,411	**729,324**	159,795
	7,293,853	7,317,448	**6,759,685**	5,997,678
	7,862,120	7,620,419	**7,290,962**	6,252,329
Less allowance for impairment losses (Note 16)	**770,662**	840,151	**738,088**	835,042
	₱7,091,458	₱6,780,268	**₱6,552,874**	₱5,417,287

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2016 and 2015.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums, rent and interest on time certificates of deposits paid in advance which shall be amortized monthly.

Deferred benefits
This represents the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Chattel mortgage properties
As of December 31, 2016 and 2015, accumulated depreciation on chattel mortgage properties acquired by the Group and the Parent Company in settlement of loans amounted to ₱79.1 million and ₱36.5 million, respectively.

As of December 31, 2016 and 2015, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired amounted to ₱2.1 million and ₱9.8 million, respectively.

Receivable from SPV
The Group has receivable from SPV, Opal Portfolio Investing Inc. (OPII), which was deconsolidated upon adoption of PFRS 10.

Receivable from SPV represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, OPII, relative to the sale of certain Non-performing assets of the Bank. Collections from OPII in 2016, 2015 and 2014 amounting to ₱500.0 million, ₱353.0 million and ₱27.0 million, respectively are recorded under 'Miscellaneous Income' (Note 28).

Miscellaneous
Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items.

Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. Allowance for Impairment and Credit Losses

Provision for impairment, credit and other losses
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Continuing operations:						
Provision for impairment	**₱114,448**	₱449,698	₱293,384	**₱113,593**	₱322,649	₱495,674
Provision for credit losses	**2,696,693**	860,393	1,912,663	**1,192,348**	513,697	1,600,957
Provision for (reversal of) other losses (Note 35)	**401,553**	(741,911)	58,568	**401,553**	(741,911)	58,568
	3,212,694	568,180	2,264,615	**1,707,494**	94,435	2,155,199
Discontinued operations:						
Provision for credit losses (Note 37)	**4,704**	32,765	–	**–**	–	–
	₱3,217,398	₱600,945	₱2,264,615	**₱1,707,494**	₱94,435	₱2,155,199

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated					
	2016			2015		
	AFS Investments	**Loans and Receivables**	**Other Assets***	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱930,111**	**₱13,428,014**	**₱500**	₱929,881	₱12,435,509	₱500
Provisions	**15,856**	**2,680,837**	–	32,995	860,163	–
Accretion on impaired loans (Note 10)	–	**(103,715)**	–	–	(217,097)	–
Accounts charged-off	–	**(1,282,872)**	–	–	(543,736)	–
Transfers and others	**(70,492)**	**170,550**	–	–	893,175	–
Effect of disposal group classified as held for sale (Note 37)	–	–	–	(32,765)	–	–
Balance at end of year	**₱875,475**	**₱14,892,814**	**₱500**	₱930,111	₱13,428,014	₱500

**Pertains to 'Receivable from SPV'*

	Parent Company					
	2016			2015		
	AFS Investments	**Loans and Receivables**	**Other Assets***	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱930,111**	**₱12,860,728**	**₱500**	₱929,881	₱11,946,142	₱500
Provisions	**15,601**	**1,176,747**	–	230	513,467	–
Accretion	–	**(103,715)**	–	–	(216,973)	–
Accounts charged-off	–	**(419,978)**	–	–	(463,112)	–
Transfers and others	**(70,492)**	**518,340**	–	–	1,081,204	–
Balance at end of year	**₱875,220**	**₱14,032,122**	**₱500**	₱930,111	₱12,860,728	₱500

**Pertains to 'Receivable from SPV'*

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated					
	2016			2015		
	Property and Equipment	**Investment Properties**	**Other Assets**	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	**₱461,077**	**₱3,293,639**	**₱839,651**	₱229,506	₱3,757,220	₱457,646
Provisions (reversals)	–	**141,740**	**(27,292)**	5,372	319,880	124,446
Disposals	–	**(331,094)**	–	–	(475,243)	(90)
Transfers and others	**(232,844)**	**192,056**	**(42,197)**	226,199	(308,218)	257,649
Balance at end of year	**₱228,233**	**₱3,296,341**	**₱770,162**	₱461,077	₱3,293,639	₱839,651

	Parent Company					
	2016			2015 (As restated - Note 2)		
	Property and Equipment	**Investment Properties**	**Other Assets**	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	**₱264,701**	**₱3,485,649**	**₱834,542**	₱228,453	₱3,760,466	₱452,324
Provisions (reversals)	–	**140,883**	**(27,290)**	5,372	315,514	1,763
Disposals	–	**(331,094)**	–	–	(475,243)	(90)
Transfers and others	**(36,468)**	**5,634**	**(69,664)**	30,876	(115,088)	380,545
Balance at end of year	**₱228,233**	**₱3,301,072**	**₱737,588**	₱264,701	₱3,485,649	₱834,542

The movements in allowance for credit losses for loans and receivables by class follow:

	Consolidated 2016							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱5,186,186	₱159,047	₱148,602	₱1,113,167	₱23,066	₱3,619,267	₱3,178,679	₱13,428,014
Provisions (reversals)	2,646,019	(60,691)	7,855	345,819	(1,375)	68,221	(325,011)	2,680,837
Accretion on impaired loans (Note 10)	(98,161)	–	(7,478)	1,855	69	–	–	(103,715)
Accounts charged off	(886,304)	–	–	(304,081)	(1,534)	–	(90,953)	(1,282,872)
Transfers and others	(782)	(2,326)	21,196	84,634	(1,212)	–	69,040	170,550
Balance at end of year	₱6,846,958	₱96,030	₱170,175	₱1,241,394	₱19,014	₱3,687,488	₱2,831,755	₱14,892,814
Individual impairment	₱4,508,372	₱–	₱67,637	₱49,861	₱14,940	₱3,687,488	₱1,761,208	₱10,089,506
Collective impairment	2,338,586	96,030	102,538	1,191,533	4,074	–	1,070,547	4,803,308
	₱6,846,958	₱96,030	₱170,175	₱1,241,394	₱19,014	₱3,687,488	₱2,831,755	₱14,892,814
Gross amounts of loans and receivables subject to individual impairment	₱5,573,463	₱–	₱130,523	₱81,276	₱15,155	₱6,914,864	₱1,763,012	₱14,478,293

	Consolidated 2015							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509
Provisions (reversals)	803,832	(1,556)	(56,009)	176,565	(376)	(166,627)	104,334	860,163
Accretion on impaired loans (Note 10)	(195,847)	(100)	(10,595)	(10,398)	(157)	–	–	(217,097)
Accounts charged off	(314,705)	–	–	(19,915)	–	–	(209,116)	(543,736)
Transfers and others	362,026	(28,567)	152,744	(45,722)	6,490	166,627	279,577	893,175
Balance at end of year	₱5,186,186	₱159,047	₱148,602	₱1,113,167	₱23,066	₱3,619,267	₱3,178,679	₱13,428,014
Individual impairment	₱3,191,973	₱47,060	₱50,582	₱79,743	₱22,520	₱3,619,267	₱2,111,427	₱9,122,572
Collective impairment	1,994,213	111,987	98,020	1,033,424	546	–	1,067,252	4,305,442
	₱5,186,186	₱159,047	₱148,602	₱1,113,167	₱23,066	₱3,619,267	₱3,178,679	₱13,428,014
Gross amounts of loans and receivables subject to individual impairment	₱4,427,469	₱47,060	₱65,424	₱370,763	₱25,993	₱3,694,435	₱2,682,529	₱11,313,673

	Parent Company 2016							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱5,038,887	₱159,047	₱148,602	₱995,020	₱23,064	₱3,619,267	₱2,876,841	₱12,860,728
Provisions (reversals)	1,178,626	(60,691)	7,855	327,211	(1,375)	68,221	(343,100)	1,176,747
Accretion on impaired loans (Note 10)	(98,161)	–	(7,478)	1,855	69	–	–	(103,715)
Accounts charged off	(24,221)	–	–	(304,075)	(1,534)	–	(90,148)	(419,978)
Transfers and others	592,413	(2,326)	21,196	(129,918)	(1,212)	–	38,187	518,340
Balance at end of year	₱6,687,544	₱96,030	₱170,175	₱890,093	₱19,012	₱3,687,488	₱2,481,780	₱14,032,122
Individual impairment	₱4,045,946	₱–	₱67,637	₱575	₱14,940	₱3,687,488	₱1,649,393	₱9,465,979
Collective impairment	2,641,598	96,030	102,538	889,518	4,072	–	832,387	4,566,143
	₱6,687,544	₱96,030	₱170,175	₱890,093	₱19,012	₱3,687,488	₱2,481,780	₱14,032,122
Gross amounts of loans and receivables subject to individual impairment	₱4,412,364	₱–	₱130,523	₱1,075	₱14,940	₱6,914,864	₱1,649,393	₱13,123,159

	Parent Company							
	2015							
	Receivable from customers					Unquoted		
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Debt Securities	Others	Total
Balance at beginning of year	₱4,266,298	₱189,270	₱62,462	₱963,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Provisions (reversals)	739,770	(1,556)	(56,009)	45,803	(375)	(166,627)	(47,539)	513,467
Accretion on impaired loans (Note 10)	(195,847)	(100)	(10,594)	(10,275)	(157)	–	–	(216,973)
Accounts charged off	(234,454)	–	–	(19,774)	–	–	(208,884)	(463,112)
Transfers and others	463,120	(28,567)	152,743	15,721	6,491	166,627	305,069	1,081,204
Balance at end of year	₱5,038,887	₱159,047	₱148,602	₱995,020	₱23,064	₱3,619,267	₱2,876,841	₱12,860,728
Individual impairment	₱3,121,354	₱47,060	₱50,582	₱1,950	₱22,520	₱3,619,267	₱1,884,127	₱8,746,860
Collective impairment	1,917,533	111,987	98,020	993,070	544	–	992,714	4,113,868
	₱5,038,887	₱159,047	₱148,602	₱995,020	₱23,064	₱3,619,267	₱2,876,841	₱12,860,728
Gross amounts of loans and receivables subject to individual impairment	₱3,908,379	₱47,060	₱65,424	₱19,716	₱22,520	₱3,694,435	₱2,390,837	₱10,148,371

17. Deposit Liabilities

As of December 31, 2016 and 2015, noninterest-bearing deposit liabilities amounted to ₱19.9 billion and ₱23.8 billion, respectively, for the Group and ₱15.8 billion and ₱23.6 billion, respectively, for the Parent Company. The remaining deposit liabilities of the Group generally earn annual fixed interest rates ranging from 0.00% to 6.23% in 2016, 0.05% to 5.00% in 2015 and 0.05% to 6.11% in 2014 for peso-denominated deposit liabilities, and from 0.00% to 3.71% in 2016, 0.00% to 2.25% in 2015 and 0.02% to 2.26% in 2014 for foreign currency-denominated deposit liabilities. The remaining deposit liabilities of the Parent Company generally earn annual fixed interest rates ranging from 0.01% to 6.23% in 2016, 0.10% to 5.00% in 2015, and 0.10% to 6.11% in 2014 for peso-denominated deposit liabilities, and from 0.02% to 4.00% in 2016, 0.00% to 2.25% in 2015 and 0.02% to 2.26% in 2014 for foreign-currency denominated deposit liabilities.

On March 29, 2012, BSP issued Circular No. 753 which provides for the unification of the statutory and liquidity reserve requirement, non-remuneration of the unified reserve requirement, exclusion of cash in vault and demand deposits as eligible forms of reserve requirement compliance, and reduction in the unified reserve requirement ratios.

Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company and PNB SB are subject to reserves equivalent to 20.00% and 8.00%, respectively.

Available reserves booked under ‘Due from BSP’ are as follows:

	2016	2015
Parent Company	**₱87,099,952**	₱73,403,945
PNB SB	**1,895,909**	886,496
	₱88,995,861	₱74,290,441

Long-term Negotiable Certificates of Time Deposits
Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2016	Carrying Value 2015
December 6, 2016	June 6, 2022	₱5,380,000	3.25%	Quarterly	**₱5,343,041**	₱–
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	**6,967,077**	₱6,958,411
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	**3,986,777**	3,981,365
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	**4,985,977**	4,979,615
November 18, 2011	February 17, 2017	3,100,000	5.18%	Quarterly	**3,099,272**	3,094,836

Other significant terms and conditions of the above LTNCDs follow:

(1) Issue price at 100.00% of the face value of each LTNCD.

(2) The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be).

Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

(3) Unless earlier redeemed, the LTNCDs shall be redeemed by the Parent Company on maturity date at an amount equal to one hundred percent (100.00%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

(4) The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Parent Company, enforceable according to these Terms and Conditions, and shall at all times rank pari passu and without any preference or priority among themselves and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

(5) Subject to the "Events of Default" in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from the Parent Company to the extent of his holdings in the CDs. However, the Parent Company may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

(6) The LTNCDs are insured by the PDIC up to a maximum amount of ₱0.50 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.

(7) Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Savings	**₱2,124,979**	₱1,677,307	₱1,680,386	**₱2,074,446**	₱1,646,552	₱1,677,129
Time	**798,894**	463,980	354,016	**431,161**	292,707	196,795
LTNCDs	**764,230**	752,562	637,957	**764,230**	752,563	637,957
Demand	**92,139**	86,170	116,041	**87,029**	81,898	103,075
	₱3,780,242	₱2,980,019	₱2,788,400	**₱3,356,866**	₱2,773,720	₱2,614,956

In 2016, 2015 and 2014, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱25.3 million, ₱16.9 million and ₱22.8 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱97.9 million and ₱85.8 million as of December 31, 2016 and 2015, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Derivative liabilities (Notes 23 and 36)	**₱232,832**	₱135,193	**₱231,977**	₱135,009

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Bills payable to:				
BSP and local banks (Note 34)	**₱26,575,781**	₱17,580,304	**₱23,121,171**	₱14,784,750
Foreign banks	**7,632,548**	7,676,238	**9,188,027**	9,269,456
Others	**18,279**	150,864	**18,160**	230,865
	34,226,608	25,407,406	**32,327,358**	24,285,071
Acceptances outstanding (Note 10)	**1,659,340**	344,816	**1,659,340**	344,816
	₱35,885,948	₱25,752,222	**₱33,986,698**	₱24,629,887

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.05% to 2.00%, 0.01% to 2.50% and 0.03% to 2.50% in 2016, 2015 and 2014, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest of 0.63% in 2016 and from 0.38% to 0.63% and 0.63% to 2.00% in 2015 and 2014, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.8 billion as of December 31, 2015 which were applied against the principal component of the transferred receivables in May 2016 (Note 10).

Bills payable to foreign banks consist of various repurchase agreements and a three-year syndicated borrowing, with carrying value of ₱7.4 billion and ₱7.0 billion as of December 31, 2016 and 2015, respectively.

Significant terms and conditions of the three-year syndicated borrowing include the following:

(1) The lenders agree to provide the Parent Company with a term loan facility of up to $150.00 million. The Parent Company must repay all utilized loans at April 24, 2018, the final maturity date, which is three years from the agreement date.

(2) The borrowing bears interest at 1.38% over USD LIBOR. The Parent Company may select an interest period of one or three months for each utilization, provided that the interest period for a utilization shall not extend beyond the final maturity date.

(3) The Parent Company shall ensure that so long as any amount is of the facility is utilized, the Common Equity Tier 1 Risk Weighted Ratio, the Tier 1 Risk Weighted Ratio, and the Qualifying Capital Risk Weighted Ratio will, at all times, be equal to or greater than the percentage prescribed by BSP from time to time. Failure to comply with such financial covenants will result to cancellation of the total commitments of the lenders and declare all or part of the loans, together with accrued interest, be immediately due and payable.

(4) The Parent Company may voluntarily prepay whole or any part of any loan outstanding and in integral multiples of $1.00 million, subject to prior notice of the Agent for not less than 15 business days. Prepayment shall be made on the last day of an interest period applicable to the loan. Mandatory prepayment may occur if a change of control or credit rating downgrade occurs. In this case, the lenders may cancel the facility and declare all outstanding loans, together with accrued interest, immediately due and demandable.

As of December 31, 2016 and 2015, the Parent Company has complied with the above debt covenants.

As of December 31, 2016 and 2015, the unamortized transaction cost of the syndicated borrowing amounted to ₱32.7 million and ₱54.9 million, respectively.

As of December 31, 2016, bills payable with a carrying amount of ₱20.6 billion is secured by a pledge of certain AFS investments with carrying value and fair value of ₱10.0 billion and ₱9.8 billion and HTM investments with carrying value and fair value of ₱14.5 billion and ₱15.3 billion, respectively (Note 9).

As of December 31, 2015, bills payable with a carrying amount of ₱12.8 billion is secured by a pledge of certain AFS investments with carrying value and fair value of ₱8.5 billion and HTM investments with carrying value and fair value of ₱7.0 billion and ₱7.5 billion, respectively (Note 9).

Following are the significant terms and conditions of the repurchase agreements entered into by the Parent Company:

(1) Each party represents and warrants to the other that it is duly authorized to execute and deliver the Agreement, and to perform its obligations and has taken all the necessary action to authorize such execution, delivery and performance;
(2) The term or life of this borrowing is up to three years;
(3) Some borrowings bear a fixed interest rate while others have floating interest rate;
(4) The Parent Company has pledged its AFS and HTM investments, in the form of ROP Global bonds, in order to fulfill its collateral requirement;
(5) Haircut from market value ranges from 15.00% to 25.00% depending on the tenor of the bond;
(6) Certain borrowings are subject to margin call of up to USD1.4 million; and
(7) Substitution of pledged securities is allowed if one party requested and the other one so agrees.

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Subordinated debt (Note 21)	**₱416,871**	₱661,304	₱757,000	**₱416,871**	₱661,304	₱660,222
Bills payable	**526,755**	321,128	94,741	**492,650**	296,399	139,741
Others	**53,995**	47,563	5,186	**50,088**	45,470	1,151
	₱997,621	₱1,029,995	₱856,927	**₱959,609**	₱1,003,173	₱801,114

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Accrued taxes and other expenses	**₱4,281,609**	₱3,845,382	**₱3,664,288**	₱3,340,821
Accrued interest	**662,017**	2,029,846	**567,327**	2,030,912
	₱4,943,626	₱5,875,228	**₱4,231,615**	₱5,371,733

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial liabilities:				
Promotional expenses	**₱405,651**	₱284,281	**₱405,651**	₱284,281
Rent and utilities payable	**324,878**	103,043	**284,826**	90,454
Information technology-related expenses	**122,039**	194,974	**120,719**	193,889
Management, directors and other professional fees	**110,611**	148,935	**93,689**	128,855
Repairs and maintenance	**60,640**	22,511	**60,640**	21,920
	1,023,819	753,744	**965,525**	719,399

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**₱1,506,395**	₱1,441,417	**₱1,475,124**	₱1,416,521
PDIC insurance premiums	**517,145**	470,701	**494,466**	459,901
Employee benefits	**373,167**	298,183	**343,008**	282,674
Other taxes and licenses	**243,134**	398,455	**86,610**	81,966
Reinstatement premium	**56,922**	9,676	**–**	–
Other expenses	**561,027**	473,206	**299,555**	380,360
	3,257,790	3,091,638	**2,698,763**	2,621,422
	₱4,281,609	₱3,845,382	**₱3,664,288**	₱3,340,821

The Parent Company's accrued interest payable includes the transferred liabilities from Maybank amounting to ₱1.6 billion as of December 31, 2015 which were applied against the interest component of the transferred receivables in May 2016 (Note 10).

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Subordinated Debt

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2016	Carrying Value 2015
June 15, 2011	June 15, 2021	₱6,500,000	6.750%	Quarterly	**₱–**	₱6,494,324
May 9, 2012	May 9, 2022	3,500,000	5.875%	Quarterly	**3,497,798**	3,492,103
		₱10,000,000			**₱3,497,798**	₱9,986,427

<u>5.875% ₱3.5 Billion Subordinated Notes</u>
On May 9, 2012, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱3.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.05%.

Significant terms and conditions of the subordinated notes follow:

(1) The 2012 Notes bear interest at the rate of 5.88% per annum from and including May 9, 2012 to but excluding May 9, 2022. Interest will be payable quarterly in arrears on the 9th of August, November, February and May of each year, commencing on May 9, 2012, unless the 2012 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on May 10, 2017, call option date.

(2) Each noteholder, by accepting the 2012 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2012 Notes.

In a resolution dated January 26, 2017, the BSP Monetary Board approved the request of the Parent Company to exercise its call option on the ₱3.5 Billion Subordinated Notes, subject to compliance of relevant regulations. The 2012 Notes will be redeemed on May 10, 2017 at an amount equal to the aggregate issue price of the Notes plus accrued and unpaid interest thereon up to but excluding May 10, 2017 (Call Option Amount). The Call Option Amount shall be paid to all noteholders on record as of April 25, 2017. No transfers shall be allowed from April 25 to May 9, 2017.

6.75% ₱6.5 Billion Subordinated Notes
On May 15, 2011, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱6.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.94%.

Significant terms and conditions of the subordinated notes follow:

(1) The 2011 Notes bear interest at the rate of 6.75% per annum from and including June 15, 2011 to but excluding June 15, 2021. Interest will be payable quarterly in arrears on the 15th of September, December, March and June of each year, commencing on June 15, 2011, unless the 2011 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on June 16, 2016, call option date.

(2) Each noteholder, by accepting the 2011 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2011 Notes.

On June 16, 2016, the Parent Company exercised its call option and paid ₱6.5 billion to all noteholders as of June 1, 2016.

As of December 31, 2016 and 2015, the unamortized transaction cost of subordinated debt amounted to ₱2.2 million and ₱13.6 million, respectively.

In 2016, 2015 and 2014, amortization of transaction costs amounting to ₱11.4 million, ₱16.9 million and ₱15.8 million, respectively were charged to 'Interest expenses - bills payable and other borrowings' in the statement of income (Note 19).

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial				
Accounts payable	**₱7,652,222**	₱6,825,663	**₱6,375,193**	₱6,179,304
Insurance contract liabilities	**4,581,800**	4,719,336	**–**	–
Bills purchased - contra (Note 10)	**3,260,308**	3,418,002	**3,254,224**	3,411,729
Manager's checks and demand drafts outstanding	**1,174,872**	937,799	**1,003,755**	915,764
Other dormant credits	**928,582**	753,338	**918,217**	734,346
Due to other banks	**923,777**	461,100	**763,046**	517,261
Deposits on lease contracts	**805,377**	854,817	**35,769**	37,448
Accounts payable - electronic money	**791,223**	556,618	**791,223**	556,618
Payment order payable	**292,336**	407,196	**292,336**	407,196
Margin deposits and cash letters of credit	**174,206**	182,640	**162,972**	168,820
Commission payable	**94,618**	132,059	**–**	–
Transmission liability	**31,732**	24,976	**–**	–
Deposit for keys on safety deposit boxes	**14,140**	14,217	**14,140**	14,217
	20,725,193	19,287,761	**13,610,875**	12,942,703

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Nonfinancial				
Retirement benefit liability (Note 29)	**₱3,138,824**	₱2,955,003	**₱3,063,243**	₱2,889,735
Provisions (Note 35)	**1,300,290**	898,737	**1,300,290**	898,737
Reserve for unearned premiums	**1,075,732**	1,191,405	**–**	–
Other deferred revenue (Note 12)	**939,672**	–	**939,672**	–
Due to Treasurer of the Philippines	**543,002**	438,943	**542,501**	438,451
Withholding tax payable	**230,044**	224,523	**220,859**	209,567
Deferred tax liabilities (Note 31)	**152,532**	152,585	**–**	–
SSS, Philhealth, Employer's Compensation Premiums and Pag-IBIG Contributions Payable	**28,327**	29,092	**27,404**	24,237
Miscellaneous	**431,757**	480,235	**323,116**	265,701
	7,840,180	6,370,523	**6,417,085**	4,726,428
	₱28,565,373	₱25,658,284	**₱20,027,960**	₱17,669,131

Other deferred revenue pertains to the allocated portion of the consideration received for the disposal of APLII related to the Exclusive Distribution Right (Note 12). In 2016, amortization of other deferred revenue amounting to ₱36.6 million was recognized under 'Service fees and commission income.'

'Miscellaneous' of the Group and the Parent Company include interoffice floats, remittance - related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2016 and 2015 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated 2016			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱99**	**₱3,766**	**49.99**	**200,498**
EUR	**94**	**48**	**1.05**	**979**
HKD	**630**	**–**	**0.13**	**412,710**
CAD	**277**	**–**	**0.74**	**1,861**
GBP	**–**	**160**	**1.23**	**2,595**
SELL:				
USD	**46,155**	**10,601**	**49.85**	**382,664**
CAD	**873**	**258**	**0.74**	**4,263**
GBP	**5,227**	**–**	**1.24**	**9,550**
SGD	**–**	**361**	**0.69**	**5,573**
HKD	**–**	**1,032**	**0.13**	**144,748**
EUR	**740**	**–**	**1.05**	**4,000**
JPY	**45,957**	**504**	**0.01**	**16,524,949**
AUD	**483**	**–**	**0.74**	**450**
Interest rate swaps	**257,042**	**216,102**		
Warrants	**61,545**	**–**		
	₱419,122	**₱232,832**		

**The notional amounts and average forward rates pertain to original currencies.*

	Consolidated			
	2015			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱42	₱5,210	47.37	155,521
EUR	122	–	1.09	898
HKD	–	66	7.75	13,012
CAD	–	170	0.72	1,385
GBP	–	168	1.36	1,104
SELL:				
USD	66,932	–	47.31	374,421
CAD	520	34	0.72	3,444
GBP	₱455	₱139	1.49	5,700
SGD	411	190	1.41	4,600
HKD	86	184	7.75	63,733
EUR	4	11	1.10	2,200
JPY	–	86,305	0.39	4,492,495
AUD	–	149	0.72	450
Interest rate swaps	49,444	42,567		
Warrants	63,332	–		
	₱181,348	₱135,193		

**The notional amounts and average forward rates pertain to original currencies.*

	Parent Company			
	2016			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱–**	**₱3,766**	**49.99**	**196,998**
CAD	**277**	**–**	**0.74**	**1,861**
GBP	**–**	**160**	**1.23**	**2,595**
HKD	**520**	**–**	**0.13**	**58,154**
EUR	**–**	**48**	**1.05**	**358**
SELL:				
USD	**46,155**	**10,093**	**49.85**	**336,314**
CAD	**873**	**258**	**0.74**	**4,263**
GBP	**5,227**	**–**	**1.24**	**9,550**
SGD	**–**	**361**	**0.69**	**5,573**
EUR	**740**	**–**	**1.05**	**4,000**
HKD	**–**	**711**	**0.13**	**117,609**
JPY	**45,957**	**478**	**0.01**	**16,524,949**
AUD	**483**	**–**	**0.74**	**450**
Interest rate swaps	**257,042**	**216,102**		
Warrants	**61,545**	**–**		
	₱418,819	**₱231,977**		

**The notional amounts and average forward rates pertain to original currencies.*

	Parent Company			
	2015			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱42	₱5,210	47.37	155,521
CAD	–	170	0.72	1,385
GBP	–	168	1.36	1,104
HKD	–	66	7.75	13,012
JPY	–	–	120.34	1,330
SELL:				
USD	66,932	–	47.31	374,421
CAD	520	34	0.72	3,444
GBP	455	139	1.49	5,700

(Forward)

	Parent Company			
	2015			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SGD	₱411	₱190	1.41	4,600
EUR	4	11	1.10	2,200
HKD	2	–	7.75	6,633
JPY	–	86,305	0.39	4,492,495
AUD	–	149	0.72	450
Interest rate swaps	49,444	42,567		
Warrants	63,332	–		
	₱181,142	₱135,009		

**The notional amounts and average forward rates pertain to original currencies.*

As of December 31, 2016 and 2015, the Parent Company holds 306,405 shares of ROP Warrants Series B1 at their fair value of USD1.2 million and USD1.3 million, respectively.

The table below shows the rollforward analysis of net derivatives assets (liabilities) as of December 31, 2016 and 2015:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Balance at the beginning of the year:				
Derivative assets	**₱181,348**	₱136,551	**₱181,142**	₱135,929
Derivative liabilities	**135,193**	44,903	**135,009**	44,264
	46,155	91,648	**46,133**	91,665
Changes in fair value				
Currency forwards and spots*	**(723,245)**	(571,666)	**(723,245)**	(571,649)
Interest rate swaps and warrants**	**25,174**	(11,709)	**25,174**	(11,709)
	(698,071)	(583,375)	**(698,071)**	(583,358)
Availments (Settlements)	**838,206**	537,882	**838,780**	537,826
Balance at end of year:				
Derivative assets	**419,122**	181,348	**418,819**	181,142
Derivative liabilities	**232,832**	135,193	**231,977**	135,009
	₱186,290	₱46,155	**₱186,842**	₱46,133

* *Presented as part of 'Foreign exchange gains - net'.*
** *Recorded under 'Trading and investment securities gains - net' (Note 9)*

24. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2016			2015		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱11,014,663**	**₱–**	**₱11,014,663**	₱15,220,536	₱–	₱15,220,536
Due from BSP	**127,337,861**	**–**	**127,337,861**	81,363,444	–	81,363,444
Due from other banks	**22,709,805**	**–**	**22,709,805**	18,287,308	–	18,287,308
Interbank loans receivable	**7,791,108**	**–**	**7,791,108**	5,800,383	–	5,800,383
Securities held under agreements to resell	**1,972,310**	**–**	**1,972,310**	14,550,000	–	14,550,000
Financial assets at FVPL	**1,913,864**	**–**	**1,913,864**	4,510,545	–	4,510,545
AFS investments - gross (Note 9)	**1,891,137**	**66,325,077**	**68,216,214**	2,915,170	66,355,965	69,271,135
HTM investments	**–**	**24,174,479**	**24,174,479**	68,173	23,163,824	23,231,997

(Forward)

	Consolidated					
	2016			2015		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Loans and receivables - gross (Note 10)	**₱176,048,393**	**₱267,653,955**	**₱443,702,348**	₱159,032,473	₱221,242,883	₱380,275,356
Other assets - gross (Note 15)	**482,548**	**85,719**	**568,267**	252,366	50,605	302,971
	351,161,689	**358,239,230**	**709,400,919**	302,000,398	310,813,277	612,813,675
Nonfinancial Assets						
Property and equipment - gross (Note 11)	–	**24,495,308**	**24,495,308**	–	28,870,304	28,870,304
Investments in Subsidiaries and an Associate - gross (Note 12)	–	**2,532,755**	**2,532,755**	–	–	–
Investment properties - gross (Note 13)	–	**21,371,531**	**21,371,531**	–	18,277,382	18,277,382
Deferred tax assets	–	**1,482,214**	**1,482,214**	–	1,173,575	1,173,575
Goodwill (Note 14)	–	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	–	**4,528,994**	**4,528,994**	–	4,120,689	4,120,689
Residual value of leased assets (Note 10)	**249,923**	**457,969**	**707,892**	225,590	486,731	712,321
Other assets - gross (Note 15)	**5,620,466**	**1,673,387**	**7,293,853**	5,787,465	1,529,983	7,317,448
	5,870,389	**69,917,565**	**75,787,954**	6,013,055	67,834,071	73,847,126
Assets of disposal group classified as held for sale (Note 37)	–	–	–	23,526,757	–	23,526,757
Less: Allowance for impairment and credit losses (Note 16)			**20,063,525**			18,952,992
Unearned and other deferred income (Note 10)			**1,489,955**			1,834,517
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**9,870,283**			9,712,312
			₱753,765,110			₱679,687,737
Financial Liabilities						
Deposit liabilities	**₱537,325,097**	**₱33,178,290**	**₱570,503,387**	₱446,102,751	₱39,834,430	₱485,937,181
Financial liabilities at FVPL	**232,832**	–	**232,832**	126,075	9,118	135,193
Bills and acceptances payable	**25,066,507**	**10,819,441**	**35,885,948**	5,836,838	19,915,384	25,752,222
Subordinated debt	–	**3,497,798**	**3,497,798**	–	9,986,427	9,986,427
Accrued interest payable (Note 20)	**662,017**	–	**662,017**	465,324	1,564,522	2,029,846
Accrued other expenses payable (Note 20)	**1,023,819**	–	**1,023,819**	753,744	–	753,744
Other liabilities (Note 22):						
Accounts payable	**7,624,523**	**27,699**	**7,652,222**	6,825,663	–	6,825,663
Insurance contract liabilities	**4,565,925**	**15,875**	**4,581,800**	4,528,298	191,038	4,719,336
Bills purchased – contra	**3,260,308**	–	**3,260,308**	3,418,002	–	3,418,002
Managers' checks and demand drafts outstanding	**1,174,872**	–	**1,174,872**	937,799	–	937,799
Dormant credits	**11,744**	**916,838**	**928,582**	116,337	637,001	753,338
Due to other banks	**923,777**	–	**923,777**	461,100	–	461,100
Deposit on lease contracts	**268,754**	**536,623**	**805,377**	249,885	604,932	854,817
Accounts payable – electronic money	**791,223**	–	**791,223**	556,618	–	556,618
Payment order payable	**292,336**	–	**292,336**	407,196	–	407,196
Margin deposits and cash letters of credit	**174,206**	–	**174,206**	182,640	–	182,640
Commission payable	**94,618**	–	**94,618**	132,059	–	132,059
Transmission liability	**31,732**	–	**31,732**	24,976	–	24,976
Deposit for keys on safety deposit boxes	**14,140**	–	**14,140**	14,217	–	14,217
	583,538,430	**48,992,564**	**632,530,994**	471,139,522	72,742,852	543,882,374
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**3,257,790**	–	**3,257,790**	1,177,015	1,914,623	3,091,638
Income tax payable	**195,240**	–	**195,240**	134,720	–	134,720
Other liabilities (Note 22)	**2,882,530**	**4,957,650**	**7,840,180**	2,799,195	3,571,328	6,370,523
	6,335,560	**4,957,650**	**11,293,210**	4,110,930	5,485,951	9,596,881
Liabilities of disposal group classified as held for sale (Note 37)	–	–	–	21,452,621	–	21,452,621
	₱589,873,990	**₱53,950,214**	**₱643,824,204**	₱496,703,073	₱78,228,803	₱574,931,876

	Parent Company					
	2016			2015 (As Restated - Note 2)		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱10,626,525**	**₱–**	**₱10,626,525**	₱12,598,715	₱–	₱12,598,715
Due from BSP	**123,799,952**	**–**	**123,799,952**	79,203,948	–	79,203,948
Due from other banks	**12,831,514**	**–**	**12,831,514**	11,450,573	–	11,450,573
Interbank loans receivable	**7,907,366**	**–**	**7,907,366**	5,958,526	–	5,958,526
Securities held under agreements to resell	**1,972,310**	**–**	**1,972,310**	14,550,000	–	14,550,000
Financial assets at FVPL	**1,880,071**	**–**	**1,880,071**	4,492,864	–	4,492,864
AFS investments - gross (Note 9)	**1,612,001**	**65,082,954**	**66,694,955**	2,026,914	65,637,949	67,664,863
HTM investments	**–**	**24,074,898**	**24,074,898**	4,706	23,132,937	23,137,643
Loans and receivables - gross (Note 10)	**158,852,021**	**234,495,768**	**393,347,789**	146,526,387	196,062,353	342,588,740
Other assets - gross (Note 15)	**467,146**	**64,131**	**531,277**	220,054	34,597	254,651
	319,948,906	**323,717,751**	**643,666,657**	277,032,687	284,867,836	561,900,523
Nonfinancial Assets						
Property and equipment– gross (Note 11)	**–**	**22,275,776**	**22,275,776**	–	25,216,112	25,216,112
Investment properties– gross (Note 13)	**–**	**20,968,723**	**20,968,723**	–	19,857,890	19,857,890
Deferred tax assets	**–**	**1,014,308**	**1,014,308**	–	936,492	936,492
Investments in Subsidiaries and an Associate (Note 12)	**–**	**28,359,871**	**28,359,871**	–	26,497,732	26,497,732
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**	–	13,515,765	13,515,765
Intangible assets (Note 14)	**–**	**4,395,964**	**4,395,964**	–	3,990,956	3,990,956
Other assets– gross (Note 15)	**6,123,328**	**636,357**	**6,759,685**	5,470,227	527,451	5,997,678
	6,123,328	**91,166,764**	**97,290,092**	5,470,227	90,542,398	96,012,625
Asset of disposal group classified as held for sale (Note 37)	**–**	**–**	**–**	1,172,963	–	1,172,963
Less: Allowance for impairment and credit losses (Note 16)			**19,174,735**			18,376,231
Unearned and other deferred income (Note 10)			**1,116,929**			1,427,774
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**9,159,530**			9,157,333
			₱711,505,555			₱630,124,773
Financial Liabilities						
Deposit liabilities	**₱501,442,928**	**₱40,747,695**	**₱542,190,623**	₱434,664,563	₱35,829,825	₱470,494,388
Financial liabilities at FVPL	**231,977**	**–**	**231,977**	125,891	9,118	135,009
Bills and acceptances payable	**21,876,831**	**12,109,867**	**33,986,698**	4,714,503	19,915,384	24,629,887
Subordinated debt	**–**	**3,497,798**	**3,497,798**	–	9,986,427	9,986,427
Accrued interest payable (Note 20)	**567,327**	**–**	**567,327**	466,390	1,564,522	2,030,912
Accrued other expenses payable (Note 20)	**965,525**	**–**	**965,525**	719,399	–	719,399
Other liabilities (Note 22):						
Accounts payable	**6,375,193**	**–**	**6,375,193**	6,179,304	–	6,179,304
Bills purchased - contra	**3,254,224**	**–**	**3,254,224**	3,411,729	–	3,411,729
Managers' checks and demand drafts outstanding	**1,003,755**	**–**	**1,003,755**	915,764	–	915,764
Dormant credits	**1,731**	**916,486**	**918,217**	108,827	625,519	734,346
Accounts payable - electronic money	**791,223**	**–**	**791,223**	556,618	–	556,618
Due to other banks	**763,046**	**–**	**763,046**	517,261	–	517,261
Payment order payable	**292,336**	**–**	**292,336**	407,196	–	407,196
Margin deposits and cash letters of credit	**162,972**	**–**	**162,972**	168,820	–	168,820
Deposit on lease contracts	**–**	**35,769**	**35,769**	–	37,448	37,448
Deposit for keys on safety deposit boxes	**14,140**	**–**	**14,140**	14,217	–	14,217
	537,743,208	**57,307,615**	**595,050,823**	452,970,482	67,968,243	520,938,725
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**₱2,698,763**	**₱–**	**₱2,698,763**	₱824,541	₱1,796,881	₱2,621,422
Income tax payable	**60,898**	**–**	**60,898**	55,180	–	55,180
Other liabilities	**1,619,827**	**4,797,258**	**6,417,085**	1,373,445	3,352,983	4,726,428
	4,379,488	**4,797,258**	**9,176,746**	2,253,166	5,149,864	7,403,030
	₱542,122,696	**₱62,104,873**	**₱604,227,569**	₱455,223,648	₱73,118,107	₱528,341,755

25. **Equity**

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	2016	2015	**2016**	2015
Common - ₱40 par value				
Authorized	**1,750,000,001**	1,750,000,001	**₱70,000,000**	₱70,000,000
Issued and outstanding				
Balance at the beginning of the year	**1,249,139,678**	1,249,139,678	**49,965,587**	49,965,587
	1,249,139,678	1,249,139,678	**₱49,965,587**	₱49,965,587
Parent Company Shares Held by a Subsidiary	–	(120,000)	–	(9,945)
	1,249,139,678	1,249,019,678	**₱49,965,587**	₱49,955,642

The Parent Company shares are listed in the PSE. As of December 31, 2016 and 2015, the Parent Company had 29,853 and 29,985 stockholders, respectively.

Pursuant to the 1986 Revised Charter of the Parent Company, the Parent Company's authorized capital stock was ₱10.0 billion divided into 100,000,000 common shares with a par value of ₱100.0 per share. Its principal stockholder was the NG which owned 25,000,000 common shares.

To foster a financial intermediation system that is both competitive and efficient, the partial privatization of the Parent Company was carried out through the following public offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
June 1989	Initial Public Offering	10,800,000 common shares	₱100.0	₱100.0	250,000,000 common shares	36,011,569 common shares
April 1992	Second Public Offering	8,033,140 common shares	₱100.0	₱265.0	250,000,000 common shares	80,333,350 common shares
December 1995	Third Public Offering	7,200,000 common shares and 2,400,000 covered warrants	₱100.0	₱260.0	250,000,000 common shares	99,985,579 common shares

After the three (3) public offerings, the NG sold a total of 54.41% of its shareholdings to both the Philippine public and international investors.

On May 27, 1996, the privatization of the Parent Company was completed when the Parent Company's new Articles of Incorporation and By-Laws were approved by the SEC under SEC Registration No. AS096-005555. As of May 27, 1996, the NG owned 45.59% of the outstanding shares of the Parent Company. The Parent Company's authorized capital stock was increased to ₱25.0 billion pesos divided into 250,000,000 common shares with a par value of ₱100.0 per share.

As part of the Parent Company's capital build-up program, the Parent Company also completed the following rights offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Basis of Subscription	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
September 1999	Stock Rights Offering	68,740,086 common shares	One (1) Right Share for every two common shares	₱100.0	₱137.8	250,000,000 common shares	206,220,257 common shares
September 2000	Pre-emptive Rights Offering	71,850,215 common shares with 170,850,215 warrants	Five (5) Right Shares for every Six (6) common shares	₱100.0	₱60.0	833,333,334 common shares	206,220,257 common shares
February 2014	Stock Rights Offering	162,931,262 common shares	Fifteen (15) Right Shares for every 100 common shares	₱40.0	₱71.0	1,750,000,001 common shares	1,249,139,678 common shares

On August 18, 2000, the SEC approved the decrease of the capital stock of the Parent Company from ₱25.0 billion divided into 250,000,000 common shares with a par value of ₱100.0 per share to ₱15.0 billion divided into 250,000,000 common shares with a par value of ₱60.0 per share. Subsequently on November 7, 2000, the SEC approved the increase of the capital stock of the Parent Company from ₱15.0 Billion divided into 250,000,000 common shares with a par value of ₱60.0 per share to ₱50,000,000,040 divided into 833,333,334 shares with a par value of ₱60.0 per share.

On July 23, 2002, the SEC approved the decrease of the capital stock of the Parent Company from ₱50,000,000,040.0 divided into 833,333,334 shares with a par value of ₱60.0 per share to ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share. On the same day, the SEC also approved the increase of the capital stock of the Parent Company from ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share to ₱50,000,000,040.0 divided into 1,054,824,557 common shares and 195,175,444 preferred shares both with a par value of ₱40.0 each.

In July 2007, the Parent Company made a primary and secondary offering of up to 160,811,091 common shares. The Offer consisted of: (i) primary offer by the Parent Company of up to 89,000,000 new shares from the Parent Company's authorized but unissued common share capital, and (ii) secondary offer of up to an aggregate of 71,811,091 existing shares, comprising (a) 17,453,340 shares offered by the NG, and (b) 54,357,751 shares which were owned by the PDIC in the form of convertible preferred shares. The Primary Offer Shares and Secondary Offer Shares were offered at the Offer Price of ₱59.0 per share.

On January 17, 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001. The increase in authorized common shares is intended to accommodate the issuance of the Parent Company of common shares to ABC shareholders relative to the business combination.

Prior to conversion to common shares, the preferred shares had the following features:

a. Non-voting, non-cumulative, fully participating on dividends with the common shares;
b. Convertible, at any time at the option of the holder who is qualified to own and hold common shares on a one (1) preferred share for one (1) common share basis;
c. With mandatory and automatic conversion into common shares upon the sale of such preferred shares to any person other than the NG or any other government agency or GOCC's; and
d. With rights to subscribe to additional new preferred shares with all of the features described above, in the event that the Bank shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

In February 2014, the Bank successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱71.0 each. The Rights Shares were offered to all eligible shareholders of the Bank at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Bank. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. It also strengthened the Bank's capital position under the Basel III standards, which took effect on January 1, 2014.

Surplus amounting to ₱7.7 billion and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱2.2 billion as of December 31, 2016 and 2015 which represent the balances of accumulated translation adjustment (₱1.6 billion), accumulated equity in net earnings (₱0.6 billion)and revaluation increment from land (₱7.7 billion) that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP.

Accumulated Translation Adjustment
As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of Capital paid in excess of par value in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Surplus Reserves
The surplus reserves consist of:

	2016	2015
Reserve for trust business (Note 33)	**₱493,658**	₱474,263
Reserve for self-insurance	**80,000**	80,000
	₱573,658	₱554,263

Reserve for self-insurance, contingencies and other account represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

Other Equity Reserves
On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock to be sourced from open market at fair value. Acquisition and distribution of the estimated 3.0 million shares shall be done based on a predetermined schedule over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. The Parent Company recognized other employee benefit expense in relation to the grant of centennial bonus amounting to ₱105.7 million in 2016 in the statement of income and a corresponding increase in equity of the same amount in the statement of financial position as of December 31, 2016 based on ₱70.0 per share, the projected fair value at grant date based on an independent, short-term forecast by a stock broker.

Capital Management
The primary objectives of the Parent Company's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

The BSP approved the booking of additional appraisal increment of ₱431.8 million in 2002 on properties and recognition of the same in determining the capital adequacy ratio, and booking of translation adjustment of ₱1.6 billion in 2002 representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2016 and 2015, CAR reported to the BSP, which considered combined credit, market and operational risk weighted asset (BSP Circular No. 538) are shown in the table below (amounts in millions).

	2016		2015	
Consolidated	**Actual**	**Required**	Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱104,103.60**		₱97,272.25	
Less: Regulatory Adjustments to CET 1	**24,454.28**		22,978.47	
Total CET1 Capital	**79,649.32**		74,293.78	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**79,649.32**		74,293.78	
Add: Tier 2 Capital	**4,308.03**		13,763.24	
Total qualifying capital	**₱83,957.35**	**₱50,410.11**	₱88,057.03	₱45,766.26
Risk weighted assets	**₱504,101.07**		₱457,662.62	
Tier 1 capital ratio	**15.80%**		16.23%	
Total capital ratio	**16.65%**		19.24%	

	2016		2015	
Parent			Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱101,545.14**		₱94,044.29	
Less: Regulatory Adjustments to CET 1	**49,874.81**		47,596.44	
Total CET1 Capital	**51,670.33**		46,447.86	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**51,670.33**		46,447.86	
Add: Tier 2 Capital	**3,866.45**		13,417.01	
Total qualifying capital	**₱55,536.78**	**₱45,131.25**	₱59,864.87	₱41,504.86
Risk weighted assets	**₱451,312.51**		₱415,048.57	
Tier 1 capital ratio	**11.45%**		11.19%	
Total capital ratio	**12.31%**		14.42%	

The Group and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the year.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos.709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *Real Estate Stress Test (REST) Limit for Real Estate Exposure*, which set a prudential limit for real estate exposures and other real estate properties of universal, commercial and thrift banks. REST will be undertaken for real estate exposure at an assumed write-off of 25.00%. The prudential REST limit which shall be complied at all times are 6.00% of CET1 ratio and 10.00% of CAR. The Circular is effective July 19, 2014.

The Parent Company has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines. Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱9.9 billion as of December 31, 2016 and 2015 which represents the balances of accumulated translation adjustment, accumulated equity in net earnings and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP. Also, unrealized foreign exchange gains, except those attributable to cash and cash equivalents, unrealized actuarial gains, fair value adjustment or the gains arising from mark-to-market valuation, deferred tax asset recognized that reduced the income tax expense and increased the net income and retained earnings, adjustment due to deviation from PFRS/GAAP and other unrealized gains or adjustments, are excluded from the Bank's surplus available for dividend declaration.

A portion of a Group's surplus corresponding to the net earnings of the subsidiaries amounting to ₱2.7 billion and ₱2.6 billion as of December 31, 2016 and 2015, respectively, is not available for dividend declaration. The accumulated earnings become available for dividends upon receipt of cash dividends from subsidiaries.

Cash Dividends
On July 22, 2016, the BOD declared and approved cash dividend declaration of one peso (₱1.0) per share or a total of ₱1.3 billion out of the unrestricted surplus of the Parent Company as of March 31, 2016, to all stockholders of record as of August 19, 2016, and was paid on September 15, 2016. On August 19, 2016, the Parent Company received the approval from the BSP on the said dividend declaration.

Merger Incentives
In connection with the merger of the Parent Company with ABC, the BSP gave certain incentives and the more relevant incentives are:

(a) Recognition of the fair value adjustments under GAAP and RAP books;
(b) Full recognition of appraisal increment from the revaluation of premises, improvements and equipment in the computation of CAR.

Internal Capital Adequacy Assessment Process (ICAAP) Implementation
In compliance with BSP Circular 639, the Parent Company has adopted its live ICAAP Document for 2011 to 2013. However, the BOD and the Management recognized that ICAAP is beyond compliance, i.e. it is about how to effectively run the Parent Company's operations by ensuring that the Parent Company maintains at all times an appropriate level and quality of capital to meet its business objective and commensurate to its risk profile. In line with its ICAAP principles, the Parent Company shall maintain a capital level that will not only meet the BSP CAR requirement, but will also cover all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning/strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

Financial Performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2016	2015	2014	**2016**	2015 (As Restated)	2014 (As Restated)
Return on average equity (a/b)	**6.69%**	6.19%	6.06%	**6.84%**	6.19%	6.18%
a) Net income	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754
b) Average total equity	**107,348,384**	101,908,372	90,699,918	**104,530,502**	98,815,521	86,747,677
Return on average assets (c/d)	**1.00%**	0.97%	0.89%	**1.07%**	1.01%	0.93%
c) Net income	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754
d) Average total assets	**716,726,424**	652,566,785	620,860,726	**670,815,164**	605,346,798	578,081,537
Net interest margin on average earning assets (e/f)	**3.16%**	3.22%	3.13%	**3.01%**	3.16%	3.21%
e) Net interest income	**₱19,566,502**	₱17,691,839	₱16,458,662	**₱17,057,909**	₱15,712,416	₱15,153,084
f) Average interest earning assets	**618,625,074**	549,237,255	525,995,312	**567,286,721**	496,470,744	472,784,065

Note: Average balances were the sum of beginning and ending balances of the respective statement of financial position accounts as of the end of the year divided by two (2)

26. Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Remittance	**₱830,032**	₱739,779	₱735,420	**₱460,899**	₱363,822	₱344,045
Deposit-related	**643,991**	1,076,041	984,541	**618,972**	1,050,546	960,199
Credit-related	**503,891**	500,852	387,535	**498,514**	479,174	374,698
Commissions	**448,089**	820,497	641,216	**305,574**	685,396	539,146
Interchange fees	**389,179**	317,509	203,501	**389,179**	317,509	203,501
Trust fees (Note 33)	**311,882**	256,203	230,111	**311,882**	256,203	230,111
Underwriting fees	**187,133**	327,400	136,265	**-**	–	–
Credit card-related	**61,584**	62,071	84,899	**61,584**	62,071	84,899
Miscellaneous	**194,177**	212,546	142,961	**84,654**	141,251	135,563
	₱3,569,958	₱4,312,898	₱3,546,449	**₱2,731,258**	₱3,355,972	₱2,872,162

Commissions include those income earned for services rendered on opening letters of credit, handling of collection items, domestic/export/import bills and telegraphic transfers and sale of demand drafts, traveler's checks and government securities.

The interchange fees and rewards revenue were generated from the credit card business acquired by the Parent Company through rewards revenue.

'Miscellaneous' includes income from security brokering activities and other fees and commission.

27. Net Insurance Premium and Benefits and Claims

Net Insurance Premium
This account consists of:

	2016	2015	2014
Gross earned premiums	**₱2,356,996**	₱2,431,033	₱1,682,368
Reinsurers' share of gross earned premiums	**(1,727,170)**	(1,890,569)	(1,274,095)
	₱629,826	₱540,464	₱408,273

Net Insurance Benefits and Claims
This account consists of:

	2016	2015	2014
Gross insurance contract benefits and claims paid	**₱787,537**	₱1,653,355	₱1,453,605
Reinsurers' share of gross insurance contract benefits and claims paid	**(304,382)**	(1,045,150)	(1,109,404)
Gross change in insurance contract liabilities	**(69,051)**	(529,863)	(1,011,013)
Reinsurers' share of change in insurance contract liabilities	**(158,406)**	358,545	762,950
	₱255,698	₱436,887	₱96,138

28. **Miscellaneous Income and Expenses**

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015 (As Restated – Note 2)	2014 (As Restated – Note 2)
Income from SPV	**₱500,000**	₱353,000	₱27,000	**₱500,000**	₱353,000	₱27,000
Recoveries	**405,363**	162,430	171,392	**251,805**	90,179	168,724
Rental income	**376,631**	338,055	634,397	**275,317**	266,067	363,956
Penalty charges	**40,388**	30,799	11,027	**40,388**	30,799	11,027
Customs Fees	**18,983**	14,801	11,702	**18,984**	14,801	11,702
Dividends	**17,854**	22,190	2,409	**14,716**	18,338	11,951
Sales deposit forfeiture	**15,772**	12,023	12,250	**15,772**	12,023	12,250
Referral and trust fees	**2,811**	2,382	1,993	**–**	–	–
Recovery from insurance claim (Note 34)	**–**	709,160	–	**–**	709,160	–
Gain on redemption of Victorias Milling common shares (Note 34)	**–**	–	622,983	**–**	–	622,983
Others	**164,565**	74,919	646,262	**77,965**	5,306	122,204
	₱1,542,367	₱1,719,759	₱2,141,415	**₱1,194,947**	₱1,499,673	₱1,351,797

'Others' consist of marketing allowance and income from wire transfers.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Secretarial, janitorial and messengerial	**₱1,305,081**	₱1,105,946	₱1,031,126	**₱1,256,605**	₱1,066,364	₱997,624
Insurance	**1,128,939**	1,078,679	949,743	**1,044,959**	1,027,759	913,679
Marketing expenses	**1,064,993**	764,767	540,544	**988,160**	731,870	523,658
Information technology	**499,319**	489,036	396,818	**471,262**	465,872	375,945
Management and other professional fees	**433,398**	323,979	338,947	**374,649**	268,137	266,756
Litigation expenses	**323,726**	235,526	229,886	**304,783**	224,669	216,741
Travelling	**248,433**	229,251	222,552	**223,896**	209,116	201,922
Postage, telephone and cable	**207,828**	216,189	180,893	**158,841**	166,034	135,873
Entertainment and representation	**99,024**	86,095	146,950	**89,944**	72,799	126,698
Repairs and maintenance	**82,113**	81,711	79,664	**82,113**	81,711	79,664
Freight	**45,727**	34,195	46,723	**43,986**	32,556	35,043
Fuel and lubricants	**21,237**	25,476	54,721	**17,521**	24,275	54,027
Miscellaneous	**682,926**	648,694	522,035	**547,469**	540,824	23,252
	₱6,142,744	₱5,319,544	₱4,740,602	**₱5,604,188**	₱4,911,986	₱3,950,882

'Miscellaneous' includes stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

29. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Retirement benefit liability (included in 'Other liabilities')	**₱3,138,824**	₱2,955,003	**₱3,063,243**	₱2,889,735
Net plan assets (included in 'Other assets')	**2,714**	3,045	**–**	–
	₱3,136,110	₱2,951,958	**₱3,063,243**	₱2,889,735

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2016 and 2015, the Parent Company has two separate regular retirement plans for the employees of PNB and ABC. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The latest actuarial valuations for these retirement plans were made as of December 31, 2016. The following table shows the actuarial assumptions as of December 31, 2016 and 2015 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company					
			ABC		PNB		EIP	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Discount rate	**4.65% - 5.01%**	4.31% - 4.62%	**4.81%**	4.38%	**4.81%**	4.38%	**4.81%**	4.38%
Salary rate increase	**5.00% - 8.00%**	5.00% - 8.00%	**6.00%**	5.00%	**6.00%**	5.00%	**–**	–

The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated

2016

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2016	**Current service cost**	**Past service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Others**	**Contributions by employer**	**December 31, 2016**
Present value of pension obligation	**₱6,823,317**	**₱533,442**	**₱–**	**₱326,287**	**₱859,729**	**(₱579,110)**	**₱–**	**(₱58,823)**	**₱467,429**	**₱408,606**	**₱–**	**₱–**	**₱7,512,542**
Fair value of plan assets	**3,871,359**	**–**	**–**	**186,219**	**186,219**	**(579,110)**	**(50,134)**	**–**	**–**	**(50,134)**	**–**	**948,098**	**4,376,432**
	₱2,951,958	**₱533,442**	**₱–**	**₱140,068**	**₱673,510**	**₱–**	**₱50,134**	**(58,832)**	**₱467,429**	**₱458,740**	**₱–**	**(₱948,098)**	**₱3,136,110**

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

Consolidated

2015

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2015	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal**	Others***	Contributions by employer	December 31, 2015
Present value of pension obligation	₱6,537,062	₱628,059	₱6,759	₱297,507	₱932,325	(₱473,928)	₱–	₱93,289	(₱334,797)	(₱241,508)	₱69,366	₱–	₱6,823,317
Fair value of plan assets	3,675,484	–	–	160,627	160,627	(473,928)	(335,775)	–	–	(335,775)	(34,084)	879,035	3,871,359
	₱2,861,578	₱628,059	₱6,759	₱136,880	₱771,698	₱–	₱335,775	₱93,289	(₱334,797)	₱94,267	₱103,450	(₱879,035)	₱2,951,958

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

** *Includes remeasurement losses of ₱4.4 million for APLII in 2015*

*** *Others consist of retirement of a disposal group classified as held for sale and retirement previously included in accrued expenses*

	Parent Company												
	2016												
		Net benefit costs*					Remeasurement losses in other comprehensive income						
	January 1, 2016	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Others	Contributions by employer	December 31, 2016
Present value of pension obligation	₱6,666,412	₱492,729	₱–	₱319,738	₱812,467	(₱576,395)	₱–	(₱17,649)	₱435,427	₱417,778	₱–	₱–	₱7,320,262
Fair value of plan assets	3,776,677	–	–	181,658	181,658	(576,395)	(46,429)	–	–	(46,429)	–	921,508	4,257,019
	₱2,889,735	₱492,729	₱–	₱138,080	₱630,809	₱–	46,429	(₱17,649)	₱435,427	₱464,207	₱–	(₱921,508)	₱3,063,243

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

	Parent Company												
	2015												
		Net benefit costs*					Remeasurement losses in other comprehensive income						
	January 1, 2015	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Others**	Contributions by employer	December 31, 2015
Present value of pension obligation	₱6,370,475	₱587,218	₱6,455	₱290,683	₱884,356	(₱469,129)	₱–	₱77,139	(₱321,702)	(₱244,563)	₱125,273	₱–	₱6,666,412
Fair value of plan assets	3,573,478	–	–	156,518	156,518	(469,129)	(334,812)	–	–	(334,812)	–	850,622	3,776,677
	₱2,796,997	₱587,218	₱6,455	₱134,165	₱727,838	₱–	334,812	₱77,139	₱(321,702)	₱90,249	₱125,273	(₱850,622)	₱2,889,735

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*
** *Others consist of retirement previously included in accrued expenses*

The Group and the Parent Company expect to contribute ₱934.5 million and ₱920.9 million, respectively, to the defined benefit plans in 2017. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2016 is 17.0 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Less than one year	**₱347,321**	₱330,098	**₱341,323**	₱325,319
More than one year to five years	**1,671,800**	1,632,402	**1,646,006**	1,599,833
More than five years to 10 years	**3,393,078**	3,371,760	**3,338,327**	3,291,709
More than 10 years to 15 years	**4,877,000**	4,557,857	**4,687,986**	4,421,078
More than 15 years	**22,189,610**	16,973,725	**20,268,606**	16,081,829

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Cash and cash equivalents	**₱2,101,820**	₱1,871,868	**₱2,042,229**	₱1,828,922
Equity investments				
Financial institutions (Note 34)	**491,884**	468,461	**491,884**	468,461
Others	**8,346**	13,382	**5,440**	5,263
Debt investment				
Private debt securities	**1,373,837**	1,050,312	**1,354,853**	1,026,929
Government securities	**261,749**	278,674	**244,533**	258,215
Investment in UITFs	**122,356**	175,228	**101,572**	175,228
Loans and receivables	**3,713**	4,006	**3,713**	4,006
Interest and other receivables	**14,699**	11,163	**14,299**	10,904
	4,378,404	3,873,094	**4,258,523**	3,777,928
Accrued expenses	**(1,972)**	(1,735)	**(1,505)**	(1,251)
	₱4,376,432	₱3,871,359	**₱4,257,018**	₱3,776,677

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2016 and 2015 includes investments in the Parent Company shares of stock with fair value amounting to ₱491.9 million and ₱468.5 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2016			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱774,902)**	**+1.00%**	**(₱751,438)**
	-1.00%	**913,564**	**-1.00%**	**884,722**
Salary increase rate	**+1.00%**	**830,911**	**+1.00%**	**803,116**
	-1.00%	**(724,710)**	**-1.00%**	**(701,513)**
Employee turnover rate	**+10.00%**	**(66,070)**	**+10.00%**	**(52,572)**
	-10.00%	**66,070**	**-10.00%**	**52,572**

	2015			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱685,868)	+1.00%	(₱670,812)
	-1.00%	800,477	-1.00%	782,231
Salary increase rate	+1.00%	723,151	+1.00%	705,298
	-1.00%	(635,942)	-1.00%	(620,886)
Employee turnover rate	+10.00%	(54,767)	+10.00%	(42,004)
	-10.00%	54,767	-10.00%	42,004

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

30. Leases

Operating Leases

Group as Lessee

The Parent Company leases the premises occupied by majority of its branches (about 32.22% of the branch sites are Parent Company-owned). Some of its subsidiaries also lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 25 years and are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱824.7 million, ₱881.5 million and ₱1.1 billion in 2016, 2015 and 2014, respectively, for the Group, of which ₱787.7 million, ₱727.6 million and ₱705.3 million in 2016, 2015, and 2014, respectively, pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Within one year	**₱439,613**	₱470,777	**₱319,498**	₱396,330
Beyond one year but not more than five years	**988,042**	781,652	**766,990**	671,367
More than five years	**280,004**	118,186	**212,890**	22,183
	₱1,707,659	₱1,370,615	**₱1,299,378**	₱1,089,880

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2016, 2015 and 2014, total rent income (included under 'Miscellaneous income') amounted to ₱376.6 million, ₱338.1 million and ₱634.4 million, respectively, for the Group and ₱275.3 million, ₱266.1 million and ₱364.0 million, respectively, for the Parent Company (Note 28).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Within one year	**₱313,458**	₱183,496	**₱164,501**	₱22,654
Beyond one year but not more than five years	**302,910**	169,379	**265,821**	12,110
More than five years	**34,849**	9,835	**16,155**	9,835
	₱651,217	₱362,710	**₱446,477**	₱44,599

Finance Lease

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the bank's net investment outstanding in respect of the finance lease (EIR method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Future minimum lease receivables under finance leases are as follows:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Within one year	**₱1,738,954**	₱1,654,119	**₱23,509**	₱17,909
Beyond one year but not more than five years	**1,273,921**	1,984,772	**40,100**	35,900
More than five years	**36,500**	47,900	**36,500**	47,900

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Gross investment in finance lease contracts receivable (Note 10)	**₱3,049,375**	₱3,686,791	**₱100,109**	₱101,709
Less amounts representing finance charges	**355,743**	62,206	**56,880**	62,206
Present value of minimum lease payments	**₱2,693,632**	₱3,624,585	**₱43,229**	₱39,503

31. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Effective November 1, 2005, Republic Act (RA) No. 9337, an act amending the National Internal Revenue Code (NIRC of 1997), provides that the RCIT rate shall be 30.00% and interest allowed as a deductible expenses shall be reduced by 33.00% of interest income subjected to final tax.

MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence. FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. RA No. 9294 provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014
Continuing operations:						
Current						
Regular	**₱1,058,065**	₱756,033	₱767,085	**₱880,828**	₱501,682	₱652,067
Final	**665,615**	504,618	665,813	**429,058**	512,401	674,058
	1,723,680	1,260,651	1,432,898	**1,309,886**	1,014,083	1,326,125
Deferred	**(206,650)**	314,598	(108,782)	**(81,514)**	96,238	43,082
	1,517,030	1,575,249	1,324,116	**1,228,372**	1,110,321	1,369,207
Discontinued operations:						
Current						
Regular	**1,671**	5,839	5,084	**–**	–	–
Final	**296,126**	38,466	38,088	**276,748**	–	–
	297,797	44,305	43,172	**276,748**	–	–
Deferred	**(91,299)**	–	–	**–**	–	–
	206,498	44,305	43,172	**276,748**	–	–
Total	**₱1,723,528**	₱1,619,554	₱1,367,288	**₱1,505,120**	₱1,110,321	₱1,369,207

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015 (As Restated - Note 2)
Deferred tax asset on:				
Allowance for impairment, credit and other losses	**₱5,142,623**	₱4,852,727	**₱4,695,139**	₱4,695,139
Accumulated depreciation on investment properties	**521,069**	512,973	**511,623**	511,623
Deferred revenue	**97,622**	–	**97,622**	–
Net retirement liability	**20,218**	16,474	**–**	–
Excess of net provision for unearned premiums per PFRS over tax basis	**7,498**	6,339	**–**	–
Deferred reinsurance on commission	**5,884**	20,560	**–**	–
Accrued expenses	**4,806**	1,060	**–**	–
Unamortized past service cost	**4,224**	–	**–**	–
Unrealized loss on AFS investment	**1,116**	830	**830**	830
NOLCO	**–**	94,944	**–**	–
Unrealized trading loss on FVPL	**–**	10	**–**	–
Others	**54,053**	10,655	**10,188**	10,556
	5,859,113	5,516,572	**5,315,402**	5,218,148
Deferred tax liability on:				
Fair value adjustment on investment properties	**1,448,798**	1,593,081	**1,448,798**	1,584,385
Fair value adjustments due to business combination	**1,043,112**	1,137,326	**1,043,112**	1,137,326
Revaluation increment on land and buildings*	**736,436**	736,436	**736,436**	736,436
Unrealized foreign exchange gains	**664,971**	578,555	**665,237**	577,007
Gain on remeasurement of a previously held interest	**160,272**	–	**164,429**	–
Unrealized trading gains on financial assets at FVPL	**105,646**	53,132	**105,646**	53,132
Lease income differential between finance and operating lease method	**45,662**	21,646	**–**	–
Deferred acquisition cost	**19,354**	17,835	**–**	–
Temporary difference associated with investments in disposal group classified as held for sale	**–**	91,299	**–**	95,456
Others	**152,648**	113,687	**137,436**	97,914
	4,376,899	4,342,997	**4,301,094**	4,281,656
	₱1,482,214	₱1,173,575	**₱1,014,308**	₱936,492

* *Balance includes deferred tax liability amounting to ₱736.4 million acquired from business combination*

As of December 31, 2016 and 2015, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million and on accelerated depreciation on property and equipment amounting to ₱6.1 million.

Benefit from deferred tax charged directly to OCI during the year follows:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Net unrealized losses (gains) on AFS investments	**₱286**	₱2,887	₱9,059	**₱–**	₱2,887	₱9,059
Remeasurement losses on retirement plan	**2,204**	2,277	9,334	**–**	2,277	9,334

The movements in the net deferred tax assets of the Group include impact of CTA amounting to ₱8.2 million in 2016 and 2015. The movements in the net deferred tax asset of the Parent Company include impact of CTA amounting to ₱3.7 million and ₱0.4 million in 2016 and 2015, respectively.

Based on the three-year financial forecast prepared by management and duly approved by the Executive Committee of the BOD, the Parent Company's gross deferred tax assets of ₱5.3 billion and ₱5.2 billion as of December 31, 2016 and 2015, respectively is expected to be realized from its taxable profits within the next three years.

Unrecognized Deferred Tax Assets
The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Allowance for impairment and credit losses	**₱1,676,551**	₱1,193,391	**₱1,112,654**	₱1,060,122
Retirement liability	**919,382**	778,925	**918,973**	778,925
Unamortized past service cost	**603,280**	551,466	**603,280**	551,466
Accrued expenses	**442,562**	426,911	**442,537**	424,956
NOLCO	**439,659**	426,913	**–**	–
Unearned income	**122,269**	112,500	**122,269**	112,500
Derivative liabilities	**69,593**	40,503	**69,593**	40,503
Provision for IBNR	**65,000**	19,500	**–**	–
Conveyance of real estate inventories held for sale	**34,321**	–	**34,321**	–
Other equity reserves	**31,701**	–	**31,701**	–
Others	**4,244**	15,807	**4,242**	13,347
	₱4,408,562	₱3,565,916	**₱3,339,570**	₱2,981,819

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2013	₱942,021	₱942,021	₱–	2016
2014	170,349	–	170,349	2017
2015	289,320	–	289,320	2018
2016	3,204	–	3,204	2019
	₱1,404,894*	₱942,021	₱462,873	

**Balance includes NOLCO amounting to ₱277,952 acquired from business combination*

The Group has net operating loss carryforwards for US federal tax purposes of USD6.2 million as of December 31, 2016 and 2015, respectively, and net operating loss carryforwards for California state tax purposes of USD4.1 million as of December 31, 2016 and 2015, respectively.

Unrecognized Deferred Tax Liabilities
As of December 31, 2016, there was a deferred tax liability of ₱665.6 million (₱788.2 million in 2015) for temporary differences of ₱2.2 billion (₱2.6 billion in 2015) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
FCDU income before tax	**(3.68)**	(4.62)	(6.05)	**(3.78)**	(5.10)	(6.19)
Net non-deductible expenses	**6.90**	10.14	16.34	**6.23**	8.12	19.91
Optional standard deduction	**(0.02)**	(0.38)	0.02	–	–	–
Tax-exempt income	**(7.82)**	(6.85)	(7.09)	**(9.22)**	(8.63)	(20.97)
Tax-paid income	**(2.19)**	(3.77)	(4.14)	**(1.91)**	(3.15)	(3.04)
Net unrecognized deferred tax assets	**(3.84)**	(3.66)	(8.65)	**(3.88)**	(5.87)	0.64
Effective income tax rate	**19.35%**	20.86%	20.43%	**17.44%**	15.37%	20.35%

Current tax regulations define expenses to be classified as entertainment, amusement and recreation (EAR) and set a limit for the amount that is deductible for tax purposes. EAR are limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expense' in the statements of income) amounted to ₱99.0 million in 2016, ₱86.1 million in 2015, and ₱147.0 million in 2014 for the Group, and ₱89.9 million in 2016, ₱72.8 million in 2015, and ₱126.7 million in 2014 for the Parent Company (Note 28).

32. Earnings Per Share

The following tables reflect the net income and share data used in the earnings per share computations:

Earnings per share attributable to equity holders of the Parent Company:

	2016	2015	2014
a) Net income attributable to equity holders of the Parent Company	**₱7,147,464**	₱6,113,508	₱5,358,669
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,140**	1,249,020	1,163,938
c) Basic/Diluted earnings per share (a/b)	**₱5.72**	₱4.89	₱4.60

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

		2016	2015	2014
a)	Net income attributable to equity holders of the Parent Company	**₱6,551,658**	₱5,827,163	₱5,147,340
b)	Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,140**	1,249,020	1,163,938
c)	Basic/Diluted earnings per share (a/b)	**₱5.24**	₱4.67	₱4.42

As of December 31, 2016, 2015 and 2014, there are no potential common shares with dilutive effect on the basic earnings per share.

33. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱75.2 billion and ₱78.7 billion as of December 31, 2016 and 2015, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱924.8 million and ₱747.8 million (included under 'AFS Investments') as of December 31, 2016 and 2015, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2016, 2015 and 2014 amounting to ₱311.9 million, ₱256.2 million and ₱230.1 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱19.4 million, ₱16.6 million and ₱13.6 million in 2016, 2015 and 2014, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital.

34. Related Party Transactions

Regulatory Reporting

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2016 and 2015, the Group and Parent Company were in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Total Outstanding DOSRI Accounts*	**₱11,900,939**	₱7,681,274	**₱11,900,939**	₱7,681,274
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**2.89%**	2.14%	**3.23%**	2.36%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**2.89%**	2.14%	**3.23%**	2.36%
Percent of DOSRI accounts to total loans	**2.89%**	2.14%	**3.23%**	2.36%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.02%**	0.02%	**0.02%**	0.02%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.01%**	0.01%	**0.01%**	0.01%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.01%**	0.01%	**0.01%**	0.01%

**Includes outstanding unused credit accommodations of ₱178.7 million as of December 31, 2016 and ₱291.5 million as of December 31, 2015.*

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10% of a bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	2016		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit Liabilities		**₱120,074**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	**₱5,633**		Interest expense on deposits
Net withdrawals	**110,585**		Net withdrawals during the period

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2016		
Subsidiaries			
Receivables from customers		**₱2,014,333**	Term loan maturing in 2017 with 3.85% nominal rate; Revolving credit lines with interest rate of 2.90% maturity of three months; Unsecured
Loan releases	**₱6,876,000**		
Loan collections	**6,740,334**		
Loan commitments		**7,433,296**	Omnibus line; credit line
Interbank loans receivable		**116,393**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.20% to 0.30% and maturity terms ranging from 30 to 150 days
Availments	**1,349,191**		
Settlements	**1,390,990**		
Due from other banks		**428,290**	Foreign currency-denominated demand deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%
Accrued interest receivable		**2,849**	Interest accrual on receivables from customers and interbank loans receivable
Deposit liabilities		**5,465,222**	Peso and foreign currency denominated demand, savings and time deposits with annual fixed interest rates ranging from 0.125% to 1.125% and maturities from 30 to 365 days
Net withdrawals	**501,832**		Net withdrawals during the period
Bills payable		**1,776,997**	Foreign currency-denominated bills payable with interest rates ranging from 0.20% to 2.00% and maturity terms ranging from 30 to 183 days
Availments	**1,971,729**		
Settlements	**2,097,198**		
Due to other banks		**45,211**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		**9,261**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**10,900**	Advance rental deposit received for 2 years and 3 mos.
Interest income	**75,684**		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	**149,832**		Interest expense on deposit liabilities and bills payable
Rental income	**55,003**		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Securities transactions			
Purchases	**1,549,350**		Outright purchase of securities
Sales	**1,218,139**		Outright sale of securities
Trading loss	**965**		Loss from sale of investment securities
Affiliates			
Receivables from customers		**19,404,084**	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82% to 6.00% with maturity terms ranging from 90 days to 12 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	**13,803,372**		
Loan Collections	**12,567,911**		
Loan commitments		**2,941,216**	Omnibus line; credit line
Investment in non-marketable equity securities		**269,719**	Common shares with acquisition costs ranging from ₱5.00 to ₱100.00 per share
Sales contract receivable		**2,257,651**	Purchase of the Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity of five years
Accrued interest receivable		**26,739**	Accrued interest on receivables from customers
Rental deposits		**10,171**	Advance rental and security deposits received for two months, three months and two years
Operating lease		**7,575**	Lease contract for 5 years

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2016		
Deposit liabilities		**₱10,918,370**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net deposits	**₱3,499,520**		Net deposits during the period
Accrued interest payable		**52**	Accrued interest payable from various deposits
Interest income	**388,599**		Interest income on receivable from customers
Interest expense	**75,633**		Interest expense on deposit liabilities
Gain on sale of investment property	**1,281,742**		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest-bearing at 6.00%
Rental income	**53,253**		Monthly rent income from related parties
Rental expense	**13,213**		Monthly rent payments with term ranging from 24 to 240 months
Miscellaneous expense	**438**		Claims expense, comprehensive insurance, service and referral fees
Securities transactions			
Purchases	**1,216**		Outright purchase of securities
Sales	**1,216**		Outright sale of securities
Trading gains	**–**		Gain from sale of investment securities
Associate			
Deposit liabilities		**352,146**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Other liabilities		**115**	Various manager's check related premium insurance
Interest expense	**29,440**		Interest expense on deposit liabilities
Rental income	**10,158**		Rental income from a five-year lease agreement, monthly rental subject to 5% escalation rate
Key Management Personnel			
Loans to officers		**14,941**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**2,057**		Settlement of loans and interest
Other equity reserves		**105,670**	Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share
Transactions of subsidiaries with other related parties			
Due from banks		**940,860**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Deposit liabilities		**940,053**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Other liabilities		**1,133**	Various manager's check
Interest income	**4,524**		Interest income on receivable from customers
Interest expense	**19,051**		Interest expense on bills payable
Miscellaneous income	**5**		Premiums collected

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2015		
Significant Investors			
Deposit liabilities		₱230,659	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.13%
Interest expense	₱16,406		Interest expense on deposit liabilities
Net withdrawals	4,743,187		Net withdrawals during the period

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2015		
Subsidiaries			
Receivables from customers		₱1,878,667	Term loan maturing in 2017 with 3.85% nominal rate;
Loan releases	₱5,650,750		Revolving credit lines with interest rate of 3.00
Loan collections	9,982,760		maturity of three months; Unsecured
Loan commitments		566,497	Money market line; pre-settlement risk
Interbank loans receivable		158,192	Foreign currency-denominated interbank term loans
Availments	1,041,975		with interest rates ranging from 0.03% to 0.35% and
Settlements	940,815		maturity terms ranging from 15 to 150 days
Due from other banks		504,201	Foreign currency-denominated demand deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%
Accrued interest receivable		3,923	Interest accrual on receivables from customers and interbank loans receivable
Deposit liabilities		5,967,054	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 2.35% Foreign currency-denominated time deposits with annual interest rates ranging from 0.62% to 1.25% and maturity terms of 30 days
Net deposits	2,045,599		Net deposits during the period
Bills payable		1,902,466	Foreign currency-denominated bills payable with
Availments	3,296,949		interest rates ranging from 0.20% to 2.50% and
Settlements	3,648,952		maturity terms ranging from 30 to 365 days
Due to other banks		252,997	Foreign currency-denominated clearing accounts used for funding and settlements of remittances
Accrued interest payable		25,066	Accrued interest on deposit liabilities and bills payable
Rental deposit		10,637	Advanced rental and security deposits received for two and three months
Other liabilities		2	Various manager's check related to premium insurance
Interest income	57,385		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	112,529		Interest expense on deposit liabilities and bills payable
Rental income	61,616		Rental income from three years year lease agreement, with escalation rate of 10.00% per annum
Fees and commission income	130,082		Income from client referrals and professional fees on service agreements with Legal Group
Miscellaneous income	716,247		Proceeds from fire insurance claims on the Ever Gotesco property
Securities transactions:			
Purchases	3,141,507		Outright purchase of securities
Sales	3,410,775		Outright sale of securities
Trading gains	287		Gain from sale of investment securities
Affiliates			
Receivables from customers		18,168,623	Secured by hold-out on deposits, government
Loan releases	15,858,440		securities, real estate and mortgage trust indenture;
Loan collections	8,888,360		Unimpaired; With interest rates ranging from 2.82% to 6.00%, maturity terms ranging from 90 days to 12 years and payment terms ranging from monthly payments to quarterly payments
Loan commitments		6,340,087	Term loan with maturity in 2023; various short-term lines with expiry in 2016; counterparty line
Investment in non-marketable equity securities		269,719	Common shares with acquisition costs ranging from ₱5.0 to ₱100.00 per share

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2015		
Sales contract receivable		₱2,047,347	Purchase of the Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity term of five years.
Accrued interest receivable		27,861	Accrued interest on receivables from customers
Rental deposits		10,346	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		7,418,850	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 1.50%; Peso-denominated and foreign currency-denominated time deposits with annual interest rates ranging from 0.88% to 1.75% and maturity terms ranging from 30 days to 365 days.
Net deposits	₱1,329,040		Net deposits during the period
Accrued interest payable		57,058	Accrued interest payable from various deposits
Other liabilities		666	Various manager's check related to EIP and premium insurance
Rental income	27,152		Rental income on operating lease with term of 10 years
Rental expense	51,006		Rent payments on operating leases with term ranging from 24 to 240 months
Interest income	337,899		Interest income on receivable from customers
Interest expense	35,288		Interest expense on deposit liabilities
Gain on sale of investment properties	369,000		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest-bearing at 6.00%
Service fees and commission income	136,908		Income on insurance premiums collected
Service fees and commission expense	22,245		Claims expense, comprehensive insurance, service and referral fees
Securities transactions:			
Purchases	1,216		Outright purchase of securities
Sales	1,216		Outright sale of securities
Key Management Personnel			
Loans to officers		16,998	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan releases	3,170		Loan drawdowns
Loan collections	2,246		Settlement of loans and interest
Other expenses	2,910		Payment of legal fees
Transactions of subsidiaries with other related parties			
Receivable from customers		80,000	Short-term loan with interest rate of 3.00% with maturity of three months
Accrued interest receivable		44	Interest accrual on receivables from customers
Investment in marketable equity securities		39,898	Various investments under management account placed with the TBG; composed of cash assets, deposits with the Parent Company, deposits with other banks and AFS government securities
Bills Payable		80,000	Peso-denominated bills payable with interest rate of 3.00% and maturity of three months
Accrued interest payable		90	Accrued interest on bills payable
Interest income	8,514		Interest income on receivable from customers
Interest expense	2,299		Interest expense on bills payable
Net insurance premiums	4,623		Income on insurance premiums collected
Net insurance benefits and claims	3,497		Claims expense, comprehensive insurance, service and referral fees

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2016 and 2015 in relation to amounts due from related parties.

Outsourcing Agreement between the Parent Company and PNB GRF
The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. On March 19, 2004, the Parent Company and PNB GRF entered into an agreement where the Parent Company agreed to undertake all impaired Pangarap Loans of PNB GRF. PNB GRF transfers the impaired loans at their carrying values on a quarterly basis or when aggregate carrying value of the impaired loans amounts to HK$2.0 million, whichever comes earlier. Subject to BOD approval, PNB GRF regularly declares special dividends (recognized as a liability). These special dividends are being offset against the intercompany receivables from the Parent Company.

In June 2013, the Parent Company and PNB GRF agreed to amend the settlement procedure on defaulted Pangarap Loans. Under the new settlement procedure, the Parent Company, in which the pledged deposits of the defaulted Pangarap Loans are placed with, remit the corresponding defaulted amounts (including accrued interests, surcharges and other related charges) from the pledged deposits of the defaulted customers to PNB GRF. The remitted amounts are being offset against the intercompany receivables from the Parent Company.

Financial Assets at FVPL traded through PNB Securities
As of December 31, 2016 and 2015, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with a fair value of ₱27.2 million and ₱199.7 million, respectively. The Parent Company recognized trading losses amounting to ₱13.5 million in 2016 and trading gains amounting to ₱7.2 million and ₱19.5 million in 2015 and 2014, respectively from the trading transactions facilitated by PNB Securities.

Investment in OHBVI
The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company under a voting trust agreement. There are no other transactions with OHBVI during the year.

VMC Convertible Notes and Common Shares
As of December 31, 2013, the Parent Company holds convertible notes with face amount of ₱353.4 million, recorded under 'Unquoted debt securities' and 161,978,996 common shares, recorded under 'AFS investments', issued by VMC, an affiliate of the Group. Each of the investment has a carrying value of ₱1.0 (one peso). In March 2014, VMC redeemed a portion of the convertible notes for a total price of ₱330.3 million, the same amount of gain was recorded under 'Interest income' in the statement of income of the Parent Company. In April 2014, the Parent Company sold the remaining convertible notes to LTG at ₱3.50 for every ₱1.0 convertible note. The Parent Company recognized a gain on sale of convertible notes amounting to ₱608. 4 million, booked under 'Miscellaneous income' in the statement of income of the Parent Company (Note 28). Also in April 2014, the Parent Company sold its investment in common shares of VMC to LTG, at current market price of ₱4.54 per share resulting in a gain of ₱735.4 million recorded under 'Trading and investment securities gains - net' in the statement of income of the Parent Company. The sale of VMC shares to LTG was facilitated by PNB Securities.

Compensation of Key Management Personnel

The compensation of the key management personnel for the Group and Parent Company follows:

	2016	2015	2014
Short-term employee benefits (Note 20)	**₱581,302**	₱589,199	₱459,759
Post-employment benefits	**61,544**	51,365	47,844
	₱642,846	₱640,564	₱507,603

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2016 and 2015, total per diem given to the BOD amounted to ₱43.2 million and ₱42.0 million, respectively, recorded in 'Miscellaneous expenses' in the statement of income. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies.

Joint Arrangements

The Parent Company and EPPI signed two Joint Venture Agreement (JVA) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the Joint Venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs. These Joints Arrangements qualify as Joint Operations under PFRS 11.

In July 2016, the Bank executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Outsourcing Agreement between the Parent Company and PNB SB

PNB SB entered into a "Deed of Assignment" with the Parent Company for the purchase, on a without recourse basis, housing (including contract-to-sell loans) and motor vehicle loans with a total carrying value of ₱5.2 billion in July and August 2016 and ₱5.0 billion on July 15, 2015. The purchase includes the assignment of the promissory notes and other relevant credit documents as well as collateral/s and other accessory contract thereto and was implemented in tranches in various dates. The total consideration paid for the purchased loans amounted to ₱5.0 billion in 2016 and 2015. In 2016 and 2015, the Parent Company recognized gain of ₱18.3 million and ₱24.4 million, respectively.

PNB SB and the Parent Company entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement shall be valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. As to the amount of service fee, the Parent Company shall charge PNB SB with the amount it charges it customers.

Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These are payable on a monthly basis.

PNB SB has available credit lines with the Parent Company amounting to ₱1.3 billion and ₱300.0 million as of December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the credit lines remain undrawn.

Claim from PNB Gen
In 2015, the Parent Company recognized income amounted to ₱716.2 million under 'Miscellaneous income' arising from the fire insurance claims of the Parent Company from PNB Gen on involving the Ever Gotesco Grand Central ('Insured Property') which was mortgaged to the Parent Company by Gotesco Investment, Inc. and Ever Emporium, Inc. (collectively 'Ever Gotesco Group') to secure certain credit accommodations. The insurable interest of the Parent Company (as mortgagee) was insured with PNB Gen. The Insured Property was razed by fire on March 19, 2012, which justified the payment by PNB Gen of the insurance claims of the Parent Company, after the Court cleared the legal issues between PNB and Ever Gotesco Group that might potentially bar the payment thereof.

Transactions with Retirement Plans
Management of the retirement funds of the Group and the Parent Company is handled by the PNB Trust Banking Group (TBG). The fair values and carrying values of the funds of the Parent Company amounted to ₱4.3 billion and ₱3.8 billion as of December 31, 2016 and 2015, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Investment in PNB Shares	**₱491,884**	₱468,461	**₱491,884**	₱468,461
Deposits with PNB	**330,716**	342,767	**330,678**	342,722
Investment in UITFs	**122,306**	166,258	**101,572**	153,857
Total Fund Assets	**₱904,906**	₱977,486	**₱924,134**	₱965,040
Unrealized gain (loss) on HFT (PNB shares)	**₱23,423**	(₱252,248)	**₱23,423**	(₱252,248)
Interest income	**15,602**	13,427	**14,952**	11,188
	39,025	(238,821)	**38,375**	(241,060)
Trust fees	**(4,821)**	(4,854)	**(4,912)**	(4,577)
Fund income (loss)	**₱34,204**	(₱243,675)	**₱33,463**	(₱245,637)

As of December 31, 2016 and 2015, the retirement fund of the Group and the Parent Company include 9,008,864 PNB shares classified under HFT. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's employee investment plans.

35. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Movements of provisions for legal claims for the Group and the Parent Company are as follows:

	2016	2015
Balance at beginning of the year	**₱898,737**	₱1,640,648
Provisions (reversals) during the year (Note 16)	**401,553**	(741,911)
Balance at the end of the year	**₱1,300,290**	₱898,737

Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

BSP Reporting

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Trust department accounts (Note 33)	**₱75,238,152**	₱78,708,656	**₱75,238,152**	₱78,708,656
Derivative forwards	**40,000,448**	32,378,255	**34,886,157**	26,907,910
Interest rate swaps	**33,610,720**	9,317,880	**33,610,720**	9,317,880
Standby letters of credit	**26,232,306**	22,031,604	**26,133,083**	21,916,691
Deficiency claims receivable	**22,337,807**	21,562,415	**22,285,950**	21,541,459
Unutilized credit card lines	**27,018,318**	15,725,684	**27,018,318**	15,725,684
Derivative spots	**2,358,455**	5,526,044	**2,358,455**	5,526,044
Inward bills for collection	**1,001,375**	356,152	**974,300**	248,839
Outward bills for collection	**282,212**	320,428	**117,898**	89,201
Confirmed export letters of credit	**100,461**	88,409	**100,461**	88,409
Unused commercial letters of credit	**50,062**	48,957	**50,062**	48,957
Shipping guarantees issued	**13,716**	10,033	**13,716**	10,033
Items held as collateral	**1,237**	42	**1,225**	31
Other credit commitments (Note 9)	**–**	974,377	**–**	974,377
Other contingent accounts	**2,073,225**	298,336	**2,068,481**	296,174

36. **Offsetting of Financial Assets and Liabilities**

The amendments to PFRS 7, which is effective January 1, 2013, require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

2016

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱28,500,758**	**(₱28,152,954)**	**₱347,804**	**₱199,855**	**–**	**₱147,949**
Securities sold under agreements to repurchase (Notes 8)	**1,972,310**	**–**	**1,972,310**	**–**	**1,968,603***	**3,707**
Total	**₱30,473,068**	**(₱28,152,954)**	**₱2,320,114**	**₱199,855**	**₱1,968,603**	**₱151,656**

** Included in bills and acceptances payable in the statements of financial position*

2015

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Securities sold under agreements to repurchase (Notes 8)	₱14,550,000	₱–	₱14,550,000	₱–	₱14,516,223*	₱33,777

** Included in bills and acceptances payable in the statements of financial position*

Financial liabilities

2016

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱15,217,658**	**(₱15,449,106)**	**(₱231,448)**	**₱273,191**	**₱–**	**₱–**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**20,635,171**	**–**	**20,635,171**	**–**	**24,657,929**	**–**
Total	**₱35,852,829**	**(₱15,449,106)**	**₱20,403,723**	**₱273,191**	**₱24,657,929**	**₱–**

** Included in bills and acceptances payable in the statements of financial position*

2015

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱216,636	₱–	₱216,636	₱465	₱250,830	₱–
Securities sold under agreements to repurchase (Notes 9 and 19)*	12,806,499	–	12,806,499	–	15,941,143	–
Total	₱13,023,135	₱–	₱13,023,135	₱465	₱16,191,973	₱–

** Included in bills and acceptances payable in the statements of financial position*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

37. Assets and Liabilities of Disposal Group Held for Sale

As disclosed in Note 12, the Group entered into a share purchase agreement with Allianz SE for the sale of 51% equity interest in APLII on December 21, 2015. As a result, APLII was classified as a disposal group held for sale and as a discontinued operation. The Group reclassified all the assets and liabilities of APLII to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position. The business of APLII represented the entirety of the Group's life insurance business until December 21, 2015. With APLII being classified as a discontinued operation in 2015, the consolidated statement of income and comprehensive income were presented to show the discontinued operations separately from the continued operations.

On June 6, 2016, the sale of APLII was completed. The Group recognized gain on sale amounting to ₱834.5 million recognized in "Net Income from Discontinued Operations" in the consolidated statement of income.

The results of operation of APLII follow:

	2016	2015	2014
Interest Income on			
Loans and receivables	**₱7,610**	₱20,343	₱18,707
Trading and investment securities	**195,605**	443,116	396,586
Deposits with banks and others	**5,151**	3,504	323
	208,366	466,963	415,616
Net Service Fees And Commission Income	**(67,591)**	(281,639)	(335,635)
Net insurance premium	**508,770**	1,716,308	1,604,500
Net insurance benefits and claims	**441,090**	1,290,439	1,191,359
Net Insurance premium	**67,680**	425,869	413,141
Other Income			
Trading and investment securities gains - net	**1,800**	20,874	14,661
Foreign exchange gains (losses) - net	**(876)**	11,806	(1,999)
Miscellaneous	**80,667**	149,061	101,111
Total Operating Income	**290,046**	792,934	606,895
Operating Expenses			
Compensation and fringe benefits	**71,741**	223,322	166,757
Taxes and licenses	**16,759**	39,570	36,544
Occupancy and equipment-related costs	**7,610**	9,764	9,196
Depreciation and amortization	**4,707**	10,704	14,039
Provision for impairment, credit and other losses	**4,704**	32,765	–
Miscellaneous	**39,692**	74,573	73,026
Total Operating Expense	**145,213**	390,698	299,562
Results from Operating Activities	**144,833**	402,236	307,333
Provision for income tax	**21,049**	44,305	43,172

(Forward)

	2016	2015	2014
Results from Operating Activities, net of tax	**₱123,784**	₱357,931	₱264,161
Gain on Sale of Discontinued Operation	**834,535**	–	–
Transaction Costs	**153,307**	–	–
Provision for Income Tax	**185,449**	–	–
Net Income from Discontinued Operations	**₱619,563**	₱357,931	₱264,161
Attributable to:			
Equity holders of the Parent Company	**₱594,806**	₱286,345	₱211,328
Non-controlling interests	**24,757**	71,586	52,833
	₱619,563	₱357,931	₱264,161

The major classes of assets and liabilities of APLII classified as disposal group held for sale to equity holders of the Parent follows:

	2016	2015
Assets		
Cash and other cash items	**₱546,621**	₱642,544
Financial assets at fair value through profit or loss	**14,506,651**	13,634,687
AFS investments	**7,922,461**	7,468,653
HTM investments	**1,254,898**	1,269,398
Other receivables	**473,259**	437,210
Property and equipment - net	**31,931**	29,546
Other assets	**41,791**	44,719
	₱24,777,612	₱23,526,757
Liabilities		
Financial liabilities at fair value through profit or loss:	**₱14,475,772**	₱13,725,321
Accrued taxes, interest and other expenses	**76,938**	161,817
Insurance contract liability	**7,097,270**	6,837,144
Other liabilities	**577,348**	728,339
	₱22,227,328	₱21,452,621
Net assets of disposal group held for sale	**2,550,284**	2,074,136
Amounts included in accumulated OCI:		
Net unrealized gain on AFS investments	**₱34,876**	(₱115,430)
Remeasurement losses on retirement plan	**(18,070)**	(18,070)
	₱16,806	(₱133,500)

Cash flows from (used in) discontinued operations follow:

	2016	2015	2014
The net cash flows directly associated with disposal group:			
Operating	**₱171,535**	₱1,210,588	₱1,535,951
Investing	**(267,458)**	(903,161)	(1,395,508)
	(₱95,923)	₱307,427	₱140,443

38. **Notes to Statements of Cash Flows**

The Group applied creditable withholding taxes against its income tax payable amounting to ₱882.2 million, ₱504.0 million and ₱582.6 million in 2016, 2015 and 2014, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱869.9 million, ₱498.3 million and ₱566.3 million in 2016, 2015, and 2014, respectively.

In 2015, the Group classified APLII as disposal group held for sale and as discontinued operation and classified assets, liabilities, and reserves of APLII amounting to ₱23.5 billion, ₱21.5 billion, and ₱0.1 billion, respectively, as held for sale.

In 2014, the Group and the Parent Company reclassified some of its AFS investment securities, which were previously classified as HTM investments, back to its original classification amounting to ₱22.7 billion and ₱21.3 billion, respectively (Note 9).

In 2014, properties with carrying value of ₱3.0 million were reclassified by the Parent Company from property and equipment to investment property while ₱74.0 million were reclassified by the Group from investment property to property and equipment (Notes 11 and 13).

In 2015, the Group transferred investment properties with a carrying value of ₱2.0 billion and ₱1.2 billion to property and equipment and to Other Assets (presented as 'Real Estate Investments Held under Development'), respectively.

In 2016, the Group and the Parent Company reclassified certain properties from 'Property and equipment' to 'Investment property' with aggregate carrying amount of ₱4.7 billion and ₱3.2 billion, respectively. These properties mainly consist of the office spaces in the Allied Bank Center in Makati leased out and land in Buendia, Makati being held for future development.

For the Group, investment properties acquired through foreclosure and rescission amounted to ₱0.7 billion, ₱0.5 billion and ₱1.3 billion in 2016, 2015 and 2014, respectively. For the Parent Company, investment properties acquired through foreclosure and rescission amounted to ₱0.6 billion, ₱0.4 billion, and ₱1.2 billion in 2016, 2015 and 2014, respectively.

In 2016, collections booked under accounts payable from sold and turned over units pertaining to the joint venture with EPPI amounting to ₱174.9 million were applied against receivables for sold real estate inventories held for sale with carrying value of ₱422.3 million. The Group and the Parent Company also recognized sales contract receivables amounting to ₱459.1 million for the remaining unpaid balance for the said units. The resulting gain from the transaction amounted to ₱211.7 million.

In 2016, the Group and the Parent Company applied transferred payables from Maybank amounting to ₱1.8 billion under bills payable and ₱1.6 billion under accrued interest payable against the principal and accrued interest components of the transferred receivables.

Interest income of the Group includes fair value amortization of loans and receivables amounting to ₱9.2 million, ₱16.9 million, and ₱27.5 million in 2016, 2015 and 2014, respectively.

Interest expense of the Group includes fair value amortization of deposit liabilities amounting to ₱30.3 million, ₱80.4 million, and ₱249.7 million in 2016, 2015 and 2014, respectively.

Depreciation and amortization expenses include fair value amortization of property and equipment, investment properties and intangible assets amounting to ₱338.6 million, ₱352.4 million and ₱648.9 million in 2016, 2015 and 2014, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on February 24, 2017.

40. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2016 (in absolute amounts).

1. Taxes and licenses

	Amount
Gross receipts tax	₱1,094,128,139
Documentary stamp taxes	1,585,000,000
Real estate tax	139,145,101
Local taxes	47,910,475
Others	93,269,874
	₱2,959,453,589

2. Withholdings taxes

	Remitted	Outstanding
Withholding Taxes on Compensation and Benefits	₱1,076,620,698	₱175,968,775
Final income taxes withheld on interest on deposits and yield on deposit substitutes	351,743,603	38,607,512
Expanded withholding taxes	164,229,237	14,294,521
VAT withholding taxes	2,488,464	262,670
Other Final Taxes	63,218,988	2,678,612
	₱1,658,300,990	₱231,812,090

Tax Cases and Assessments
As of December 31, 2016, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank (the Bank) and its subsidiaries (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, and have issued our report thereon dated February 24, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5908709, January 3, 2017, Makati City

February 24, 2017

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2016

Part I

Part II

PART I

PHILIPPINE NATIONAL BANK (PARENT COMPANY)
SCHEDULE A
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2016
(In thousands)

Retained Earnings, January 1, 2016 as unadjusted		**₱24,799,358**
Less: Adjustments (*see adjustments in previous year's reconciliation*):		
Appraisal increment closed to capital on quasi-reorganization	₱7,691,808	
Deferred tax assets	5,218,148	
Fair value adjustment on foreclosed properties - net gain	4,700,400	
Accumulated equity in net earnings of subsidiaries and an associate	2,580,260	
Accretion on impaired accounts	1,888,894	
Translation adjustment applied to deficit on quasi-reorganization	1,315,685	
Accumulated equity in net earnings applied to deficit on quasi-reorganization	563,048	
	23,958,243	
		(23,958,243)
Retained Earnings, as adjusted, beginning		**841,115**
Add: Net income per audited financial statements	**7,147,566**	
Less: Non-actual/unrealized income net of tax		
Gain on remeasurement of a previously held interest	1,644,339	
Unrealized foreign exchange gain- net (except those attributable to cash and cash equivalents)	1,208,521	
Equity in net income of subsidiaries and an associate	255,292	
Gain on foreclosure on investment properties for the period	128,927	
Accretion income of impaired loans	103,715	
Benefits from gross deferred tax assets	97,254	
Accretion on off market transactions - sales contract receivables	96,701	
Subtotal	**3,534,749**	
Net income actually earned during the period		**3,612,817**
Less: Dividends declared		**(1,249,140)**
Appropriation to surplus reserves		**(19,395)**
Total Retained Earnings, End Available for Dividend, December 31, 2016		**₱3,185,397**

PART I

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B
EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2016**		**Adopted**	**Not Adopted**	**Not Applicable**	**Not Early Adopted**
Framework for the Preparation and Presentation of Financial Statements					
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		ü			
PFRSs Practice Statement Management Commentary		ü			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			ü	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	ü			
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			ü	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			ü	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			ü	
	Amendments to PFRS 1: Government Loans			ü	
	Amendment to PFRS 1: Meaning of Effective PFRSs			ü	
PFRS 2	Share Based Payment	ü			
	Amendments to PFRS 2: Vesting Conditions and Cancellations	ü			
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			ü	
	Amendment to PFRS 2: Definition of Vesting Condition	ü			
PFRS 3 (Revised)	Business Combinations	ü			
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			ü	
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			ü	
PFRS 4	Insurance Contracts	ü			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	ü			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	ü			
	Amendment to PFRS 5: Changes in methods of disposal			ü	
PFRS 6	Exploration for and Evaluation of Mineral Resources			ü	
PFRS 7	Financial Instruments: Disclosures	ü			
	Amendments to PFRS 7: Transition	ü			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	ü			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	ü			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	ü			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	ü			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	ü			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				ü

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9				ü
	Amendments to PFRS 7: Servicing Contracts			ü	
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			ü	
PFRS 8	Operating Segments	ü			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			ü	
PFRS 9	Financial Instruments				ü
	Financial Instruments: Classification and Measurement of Financial Assets				ü
	Financial Instruments: Classification and Measurement of Financial Liabilities				ü
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				ü
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9				ü
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition				ü
PFRS 10	Consolidated Financial Statements	ü			
	Amendments to PFRS 10: Transition Guidance	ü			
	Amendments to PFRS 10: Investment Entities			ü	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			ü	
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			ü	
PFRS 11	Joint Arrangements			ü	
	Amendments to PFRS 11: Transition Guidance			ü	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			ü	
PFRS 12	Disclosure of Interest in Other Entities	ü			
	Amendments to PFRS 12: Transition Guidance	ü			
	Amendments to PFRS 12: Investment Entities - Applying the Consolidation Exception			ü	
PFRS 13	Fair Value Measurements	ü			
	Amendment to PFRS 13: Short-term Receivables and Payables	ü			
	Amendment to PFRS 13: Portfolio Exception			ü	
PFRS 14	Regulatory Deferral Accounts			ü	
IFRS 15	Revenue from contracts with customers				ü
IFRS 16	Leases				ü
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	ü			
	Amendment to PAS 1: Capital Disclosure	ü			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			ü	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	ü			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PFRS 10: Investment Entities – Applying the consolidation exception			ü	
	Amendments to PAS 1: Disclosure Initiative	ü			
PAS 2	Inventories			ü	
PAS 7	Statement of Cash Flows	ü			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	ü			
PAS 10	Events after the Reporting Period	ü			
PAS 11	Construction Contracts			ü	
PAS 12	Income Taxes	ü			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	ü			
PAS 16	Property, Plant and Equipment	ü			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			ü	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			ü	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			ü	
PAS 17	Leases	ü			
PAS 18	Revenue	ü			
PAS 19 (Amended)	Employee Benefits	ü			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			ü	
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	ü			
	Amendments to PAS 19: Discount Rate: Regional Market Issue			ü	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			ü	
PAS 21	The Effects of Changes in Foreign Exchange Rates	ü			
	Amendment: Net Investment in a Foreign Operation	ü			
PAS 23 (Revised)	Borrowing Costs			ü	
PAS 24 (Revised)	Related Party Disclosures	ü			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			ü	
PAS 27 (Amended)	Separate Financial Statements	ü			
	Amendments for investment entities			ü	
	Amendments to PAS 27: Equity Method in Separate Financial Statements	ü			
PAS 28 (Amended)	Investments in Associates	ü			
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			ü	
PAS 29	Financial Reporting in Hyperinflationary Economies			ü	
PAS 32	Financial Instruments: Disclosure and Presentation	ü			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			ü	
	Amendment to PAS 32: Classification of Rights Issues			ü	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	ü			
PAS 33	Earnings per Share	ü			
PAS 34	Interim Financial Reporting			ü	
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'			ü	

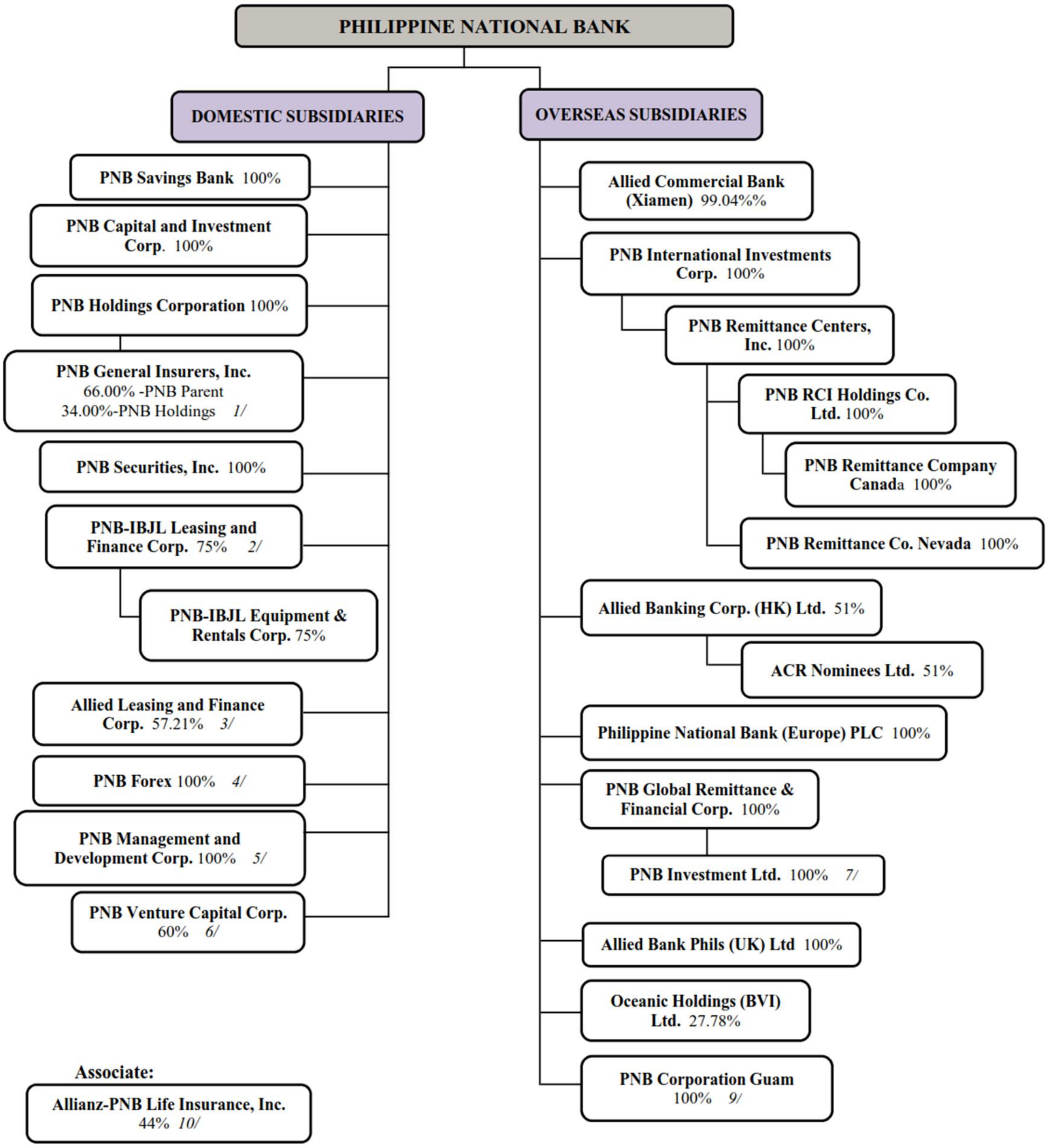
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 36	Impairment of Assets	ü			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	ü			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	ü			
PAS 38	Intangible Assets	ü			
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			ü	
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			ü	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			ü	
PAS 39	Financial Instruments: Recognition and Measurement	ü			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	ü			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transaction			ü	
	Amendments to PAS 39: The Fair Value Option	ü			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	ü			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	ü			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	ü			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	ü			
	Amendment to PAS 39: Eligible Hedged Items			ü	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			ü	
PAS 40	Investment Property	ü			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	ü			
PAS 41	Agriculture			ü	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			ü	
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			ü	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			ü	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	ü			
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			ü	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			ü	
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			ü	
IFRIC 9	Reassessment of Embedded Derivatives	ü			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	ü			
IFRIC 10	Interim Financial Reporting and Impairment			ü	
IFRIC 12	Service Concession Arrangements			ü	
IFRIC 13	Customer Loyalty Programmes	ü			
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			ü	
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			ü	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 15	Agreements for the Construction of Real Estate			ü	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			ü	
IFRIC 17	Distributions of Non-cash Assets to Owners			ü	
IFRIC 18	Transfers of Assets from Customers			ü	
IFRIC 19	Extinguishing Financial Liabilities with Equity Investment			ü	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			ü	
IFRIC 21	Levies			ü	
SIC - 7	Introduction of the Euro			ü	
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			ü	
SIC - 13	Jointly Controlled Entities - Non Monetary Contributions by Venturers			ü	
SIC - 15	Operating Leases - Incentives	ü			
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	ü			
SIC - 29	Service Concession Arrangements: Disclosures			ü	
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			ü	
SIC - 32	Intangible Assets - Web Site Costs			ü	

Standards and Interpretations applicable to annual periods beginning on or after January 1,2017 will be adopted by the Group as they become effective.

PART I

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2016



1/ The remaining 34% is owned by PNB Holdings.
2/ Percent ownership reduced from 90% to 75% effective January 2015.
3/ Winding down operations effective January 1, 2016.
4/ For dissolution, awaiting BIR clearance.
5/ Mining rights under deed of assignment with Macroasia.
6/ Under trust agreement with PNB Trust Banking Group.
7/ For de-registration/liquidation. Awaiting for tax clearance, a SEC requirement for de-registration.
8/ Merged on April 2, 2014, with PNBE as surviving unit.
9/ Ceased operations on June 30, 2012 but business license/books are active/open due to pending legal cases.
10/ PNB holdings in PNB Life was reduced from 80% to 44% effective June 1, 2016.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2016

Financial Assets at Fair Value through Profit or Loss
(Amounts in thousands, except for number of shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Government securities				
Republic of the Philippines (ROP) Bonds	–	₱1,097,022	₱1,259,709	₱23,386
Fixed Rate Treasury Notes	–	31,085	32,164	36,150
Retail Treasury Bonds	–	10,586	11,472	5,808
Power Sector Assets & Liabilities Mgt Corp	–	8,701	10,055	542
Republic of the Indonesia	–	–	–	1,012
US Treasury Notes	–	–	–	44
	–	**1,147,394**	**1,313,400**	**66,942**
Private Debt Securities				
SM Investments Corporation	–	74,580	76,201	3,696
International Container Terminal Services Inc	–	32,467	36,403	2,741
Ayala Land Inc	–	7,550	7,902	977
Fil-Invest Land Inc	–	80	83	7
Filinvest Development Cayman Islands	–	–	–	388
San Miguel Global Power Holdings Corp	–	–	–	403
SM Prime Holdings Inc.	–	–	–	338
Export-Import Bank of Korea	–	–	–	4
	–	**114,677**	**120,589**	**8,553**
Equity Securities				
Alco Preferred	7,000	–	718	–
Alliance Global Group Inc	60,000	–	767	–
Ayala Corporation	10,000	–	7,305	–
Ayala Land Inc	70,000	–	2,240	–
Cosco Capital, Inc	150,000	–	1,275	–
DMCI Holdings Inc	500,000	–	6,630	–
Emperador Inc	80,000	–	560	–
Filinvest Land, Inc.	200,000	–	306	–
First Metro Phil Equity Exchange	7,000	–	791	–
First Phil Holdings	10,000	–	679	–
Forest Hills Golf and Country Club	1	–	170	–
Global Ferro	31,127	–	89	–
GT Cap Preferred Series B	1,000	–	1,020	–
GT Capital Holdings, Inc.	500	–	635	–
Manila Electric Co	20,000	–	5,300	–
Manila Water Company, Inc.	25,000	–	725	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Petro Energy Resources Corp	6,289	–	26	–
PLDT Common Shares	7,500	–	10,239	–
PNOC Energy Development Corporation	1,230,000	–	6,335	–
Resorts World Manila	810,000	–	2,665	–
San Miguel Corp - Preferred 2G	4,100	–	326	–
San Miguel Corp - Preferred 2H	26,000	–	2,003	–
San Miguel Corp - Preferred 2I	25,970	–	2,026	–
Security Bank Corp	9,000	–	1,710	–
Universal Rightfield Prop. Inc.	2,883,000	–	69	–
	6,173,487	**–**	**54,609**	**–**
Derivatives				
Allied Bank Hong Kong	–	–	303	–
Australia and New Zealand Bank Manila	–	1,245,850	2,429	–
Ban Kee Trading, Inc.	–	14,952	3	–
Banco De Oro Universal Bank	–	2,742,575	7,576	–
Bank of Tokyo Mitsubishi UFJ	–	1,988,800	11,612	–
Bank of Tokyo-Mitsubishi Manila	–	500,950	2,440	–
BNP Paribas Paris	–	1,105,082	10,538	–
Chase Manhattan Bank London	–	19,221	92	–
Citibank N.A. Manila Br.	–	4,243,358	16,769	–
GETZ Advanced Materials, Inc.	–	7,260	23	–
Hong Kong and Shanghai Banking Corp	–	49,810	92	–
I-Remit Inc.	–	5,756	0	–
Land Bank of the Philippines	–	49,810	92	–
Metropolitan Bank and Trust Company	–	99,620	184	–
Mizuho Bank Limited Manila	–	747,075	1,047	–
Petron Corporation	–	4,735,175	10,380	–
Philippine Long Distance Telephone Co.	–	2,436,280	29,195	–
PNB International Investments Corporation	–	49,933	243	–
PNB Remittance Center Canada	–	18,450	34	–
Republic of the Philippines	–	15,234,457	61,545	–
Robinsons Bank Corporation	–	499,145	1,964	–
Standard Chartered Bank	–	599,844	3,157	–
Standard Chartered Bank London	–	6,047,764	227,979	–
Wells Fargo Bank NA	–	4,804,430	31,425	–
	–	**47,245,597**	**419,122**	–
Designated at FVPL				
Unit Investment Trust Fund – PNB Peso Money Market Fund	**5,390,918**	**6,049**	**6,144**	–
Total Financial Assets at Fair Value through Profit or Loss	**₱11,564,405**	**₱48,513,717**	**₱1,913,864**	**₱75,495**

Available-for-Sale (AFS) Securities
(Amounts in thousands, except for number of shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Government securities				
Bangko Sentral ng Pilipinas	–	₱163,658	₱221,010	₱4,086
Development Bank of the Philippines	–	2,172,217	2,394,652	25,891
Fixed Rate Treasury Notes	–	5,455,460	5,689,853	318,214
Global Peso Notes	–	400,000	375,200	13,072
Philippines - SGD	–	74,580	79,405	28
PhilippineTreasury Bills	–	690,000	687,130	8,542
Power Sector Assets and Liabilities Management Corporation	–	6,822,083	8,271,561	167,113
Republic of Indonesia	–	2,794,438	3,025,131	288,534
Republic of the Philippines (On-shore Dollar Bonds)	–	–	24,567	684
Republic of the Philippines (ROP) Treasury Bonds	–	10,576,240	12,420,267	240,347
Retail Treasury Bonds	–	3,622,745	3,822,873	132,039
Singapore Fixed Rate Treasury Notes	–	25,078	25,245	2
Singapore Treasury Bills	–	394,330	393,641	–
Small Business Loan asset backed securities	–	278,531	32,661	644
Treasury Gilts	–	66,961	67,352	2,038
U.S. Treasury Bills	–	296,132	304,009	6,117
	–	**33,832,453**	**37,834,558**	**1,207,351**
Private Debt Securities				
Aboitiz Power	–	–	–	598
Agricultural Bank Of China	–	–	–	6,565
Apple Inc	–	497,200	496,529	27,608
Ayala Land Inc	–	1,473,390	1,481,245	29,214
Banco De Oro	–	1,814,482	1,769,897	2,823
Bank of China	–	894,960	915,033	26,090
Barclays Bank	–	–	–	20,511
BNP Paribas	–	82,790	83,166	664
China Construct Bank Asia	–	–	–	4,925
Deutsche Bank	–	–	–	12,216
Energy Development Corp	–	1,217,488	1,341,487	47,408
European Investment Bank	–	21,213	21,381	49
Export-Import Bank of Korea	–	845,240	818,141	13,264
Filinvest Development Cayman Islands	–	1,731,996	1,755,915	64,150
Filinvest Land Inc	–	460,440	477,212	29,053
First Gen Corporation	–	1,258,910	1,346,757	35,779
First Pacific Company	–	1,544,253	1,582,134	46,234
FPC Finance Limited	–	678,678	709,252	18,077
FPC Treasury Limited (FPC)	–	49,720	49,231	3,956

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
FPT Finance Limited	–	74,580	80,022	4,815
Hongkong & Shanghai Banking Corporation Finance	–	310,462	320,164	495
Hongkong & Shanghai Banking Corporation Holdings	–	103,487	110,804	12,688
Hutchison Whampoa Limited	–	1,342,440	1,377,482	18,636
Industrial & Commercial Bank of China	–	198,880	204,011	23,605
International Container Terminal Services Inc.	–	4,365,615	4,555,829	293,043
JP Morgan Chase	–	–	–	17,210
Kookmin Bank	–	–	–	2,375
Korea Development Bank	–	367,928	361,400	3,517
Lloyds Bank	–	–	–	2,753
Manila North Tollway Corporation Bonds	–	50,000	50,133	2,535
Metropolitan Bank & Trust Co.	–	567,100	550,602	30,397
Petron Corporation	–	10,000	10,000	70
Philippine Long Distance Telephone Company (PLDT)	–	1,174,337	1,185,422	19,575
Philippine Savings Bank	–	75,000	71,796	4,114
PNB Prime Peso Money Market	–	51,500	51,791	–
Rizal commercial Banking Corp	–	620,456	638,276	54,051
Security Bank Corp	–	119,328	123,761	6,670
Sinopec Corp	–	2,038,520	2,027,171	47,881
SM Investments Corporation (SMIC)	–	2,470,362	2,524,618	49,033
SM Prime Holdings, Inc.	–	261,534	269,109	11,327
South Luzon Tollway Corporation	–	302,700	305,760	17,862
Standard Chartered Bank London	–	685,603	702,188	8,202
State Bank of India	–	74,580	76,195	24,099
Sumitomo Bank Tokyo	–	248,600	248,207	5,991
Westpac Bank Sydney	–	149,160	148,947	5,374
	–	**28,232,932**	**28,841,070**	**1,055,502**
Equity Securities				
Allied Banker Insurance	200,000	–	20,000	–
Apo Golf & Country Club	1	–	2	–
Asean Finance	–	–	3,604	–
Asia Pacific Rural & Agricultural Credit Association Trust Fund	1	–	1,500	–
Bacnotan Steel Industries	334,499,800	–	–	–
Baguio City Country Club	1	–	1500	–
Bancnet, Inc.	49,999	–	5,000	–
BAP Credit Guaranty	29,800	–	1,138	–
Bulawan Mining Company	2,500,000	–	–	–
Camp John Hay Golf Club	3	–	260	–
Club Filipino	1	–	350	–
Cruz Telephone Company	30	–	3	–
Eagle Ridge Golf & Country Club	30	–	2,700	–
Evercrest Golf Club-A	2	–	1,000	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Fairways & Bluewater Resort	294	–	–	–
Heavenly Garden	5,000	–	500	–
Iligan Golf & Country Club	1	–	1	–
Lepanto Consolidated Mining Co."A"	4,973	–	–	–
Lepanto Consolidated Mining Co."B"	1,776	–	–	–
LGU Guarantee Corporation	50,000	–	10,000	–
Manila Golf & Country Club, Inc. (Corp)	100	–	123,000	–
Manila Polo Club	–	–	12,500	–
Manila Southwoods Golf & Country Club	1	–	250	–
Manila Southwoods Golf Club	1	–	536	–
Meralco	2,873	–	45,611	–
Mimosa Golf & Country Club	1	–	400	–
Mount Malarayat Gold & Country Club	17	–	–	–
National Reinsurance Corp Common stock	1,000	–	1	–
Northern Telephone Company	1,800	–	18	–
Orchard Golf & Country Club-C	1	–	350	–
PCDI Preferred Shares	175	–	39	–
Philex Mining	151	–	–	–
Philippine Central Depository Incorporated	3,855	–	–	–
Philippine Clearing House	21,000	–	2,100	–
Philippine Clearing House Corporation	–	–	2,100	–
Philippine Columbian Association	2	–	–	–
Philippine Dealing House	73,000	–	7,300	–
Philippine Depository & Trust Corporation	24,436	–	2,392	–
Philippine Long Distance Telephone Company	2,879	–	2,685	–
Philippine Racing Club	30,331,103	–	299,577	–
Philippines Electric Corporation Shares	202,440	–	95	–
Philodril	695,625	–	8	–
PICOP Resources	19,021,252	–	–	–
PLDT Communication and Energy Venture	20	–	9	–
PNB Management & Development Corporation	313,879	–	1,933	–
PNB Prime Peso Money Market	–	–	1,281	–
PNB Venture Capital	50,398		5,062	
Proton Chemical Industries Common Shares	44,419	–	–	–
PSE shares	17,820	–	4,259	–
PT&T	5,000,000	–	–	–
Pueblo de Oro Golf & Country Club	2	–	821	–
Quezon City Sports Club	1	–	420	–
Retelco	20	–	5	–
Riviera Golf Shares "C"	4	–	180	–
Santa Elena Golf & Country Club	1	–	2,800	–
Sierra Grande Country	100	–	32	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Small Business Guarantee	400,000	–	40,000	–
Southern Iloilo Telephone Company	20	–	2	–
Sta. Elena Properties, Inc. "A"	4	–	12,400	–
Subic Bay Yacht Club	58	–	–	–
Tagaytay Highlands	1	–	550	–
Tagaytay Midlands	1	–	500	–
Ternate Dev't Corporation	–	–	170	–
Valley Golf & Country Club	–	–	680	–
Wack Wack Golf & Country Club	3	–	47,487	–
	393,499,773	–	665,111	–
Total Available-for-Sale Securities	**₱393,499,773**	**₱62,065,385**	**₱67,340,739**	**₱2,262,857**

Held to Maturity Securities
(Amounts in thousands, except for number of shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Government securities				
Republic of the Philippines (ROP) Bonds	–	₱14,813,577	₱17,183,357	₱615,155
Retail Treasury Bonds	–	2,885,515	3,115,347	136,550
Fixed Rate Treasury Notes	–	2,737,693	3,514,068	162,653
Republic of Indonesia	–	248,600	257,045	11,773
Federal National Mortgage Association	–	77,066	77,138	385
Federal Home Loan Mortgage Corp	–	22,374	22,443	136
Federal Reserve	–	5,081	5,081	–
Total Held to Maturity Securities	–	**₱20,789,906**	**₱24,174,479**	**₱926,652**

Loans and Receivables
(In thousands)

Name of Issuing Entity and Association of Each Issue	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Valued based on Discounted Cash Flows at end of Reporting Period	Income Received and Accrued
Government Securities				
Landbank of the Philippines	₱124,749	₱124,749	₱124,749	₱5,435
National Food Authority	256,869	256,859	276,183	17,337
Caticlan Super Marina	101,111	101,111	101,948	4,665
Home Guaranty Corporation	14,285	14,285	14,248	453
Home Development and Mutual Fund	–	57,846	57,846	1,661
	497,014	**554,850**	**574,973**	**29,550**
Private Securities				
Agricultural Bank of China Ltd HK	497,200	496,488	496,488	3,602
Bank of China Ltd Sydney	248,600	248,274	248,274	7,356
Bank of China HK	497,200	497,200	497,200	593
China Construction Bank HK	497,200	496,436	496,436	3,555
Industrial & Commercial Bank of China Sydney	497,200	496,455	496,455	6,031
Industrial & Commercial Bank of China	497,200	495,519	495,519	472
Steel Asia Manufacturing Corporation	4,255	–	–	–
Pilipinas Hino Incorporated	6,988	–	–	–
Golden Dragon Star Equities Inc./OPAL	–*	–	–	–
Global Steel (NSC)	3,676,245	–	–	–
	6,422,088	**2,730,372**	**2,730,372**	**21,610**
Total Unquoted Debt Securities	**₱6,919,102**	**₱3,285,222**	**₱3,305,345**	**₱51,160**

*amount less than 1,000 pesos

PART II

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2016

(In thousands)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/15)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/16)	Due Dates	Interest Rates	Terms of Payment	Collateral
Subsidiary										
PNB-IBJL Leasing and Finance Corp	₱1,878,667	₱6,876,000	(₱6,740,333)	₱–	Current	₱2,014,333	01/28/2016 to 5/20/2017	2.90% to 3.85%	Payable within 3 years	Unsecured
Related Party										
Philippine Airlines Inc.	₱–	₱1,491,600	₱–	₱–	Current	₱1,491,600	6/12/2017 to 6/25/2017	3.5%	–	Real Estate
Victorias Milling	138,968	6,061,577	(6,018,387)	–	Current	182,159	1/31/2017	2.75%	–	–
Horizon Global Investment	7,059,000	–	399,000	–	Current	7,458,000	9/12/2017	3.66%	Quarterly payment	Unsecured
Eton Properties	590,010	2,000,000	(590,010)	–	Current	2,000,000	5/31/2023	5.00%	Quarterly payment	Real Estate
Interbev Philippines Inc.	–	2,227	–	–	Current	2,227	1/27/2017	–	Payable at Maturity	Unsecured
Lufthansa Teknik	263,536	–	(226,246)	–	Current	37,290	1/27/2017 to 2/22/2017	3.38% to 3.41%	Quarterly payment	Unsecured
Maranaw Hotel & Resort Corp	93,000	87,000	(96,107)	–	Current	83,893	8/8/2023	4.75%	Quarterly payment	Unsecured
Major Win Enterprises Limited	1,203,308	–	(16,235)	–	Current	1,187,073	8/17/2027	4.16%	Quarterly payment	Unsecured
Golden Investments TMK	8,470,800	–	(1,510,000)	–	Current	6,960,800	06/26/2020	4.52%	–	–
Absolut Distillers, Inc.	350,000	200,000	(550,000)	–	Past Due	–	01/26/2016 to 3/22/2016	4.50%	–	Unsecured
Asia Brewery	–	663,864	(662,821)	–	Current	1,042	01/27/2017	–	Payable at maturity	Real Estate
Tanduay Distillers	–	684,885	(684,885)	–	Current	–	–	–	–	
Himmel Industries	–	607,112	(607,112)	–	Current	–	–	–	–	
Package World	–	2,941	(2,941)	–	Current	–	–	–	–	
Foremost Farms	–	2,166	(2,166)	–	Current	–	–	–	–	
Key Management Personnel	16,998	–	(2,057)	–	Current	14,941	Various	Various	Payable on demand	Various
Officers	223,747	50,910	(90,966)	–	Current	183,691	09/30/2015 to 09/30/2036	0.25% to 16.5%	Payable within 1 month to 25 years	Bank deposit hold-out, real estate and chattel mortgages
	₱20,288,034	₱18,730,282	(₱17,401,266)	₱–		₱ 21,617,050				

**in Peso equivalent*
The related party transactions indicated above are within the ordinary course of business of the Bank and shall be settled in cash. There are no provisions for credit losses in 2015.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016

(In thousands)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/15)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/16)	Due Dates	Interest Rates	Terms of Payment	Collateral
PNB-IBJL Leasing and Finance Corp	₱1,878,667	₱6,876,000	(₱6,740,334)	₱–	Current	₱2,014,333	01/04/2017 to 05/20/2017	2.90% to 3.85%	Payable within 3 years	Unsecured

The related party transactions indicated above are within the ordinary course of business of the Bank and shall be settled in cash. There are no provisions for credit losses in 2016.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS
DECEMBER 31, 2016

(In thousand pesos)

Description	Beginning Balance 12/31/2015	Additions	Charged to Costs and Expenses (Amortization)	Charged to Other Accounts	Other Changes	Ending Balance 12/31/2016
Core deposits*	₱1,348,485	₱–	(₱189,779)	₱–	₱–	₱1,158,706
Customer relationship*	13,790	–	(13,790)	–	–	–
Other Intangibles	1,080,603	406,053	(88,854)	–	5,861	1,403,663

**Acquired from business combination*

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2016

(In thousands)

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current Portion of Long-Term Debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long Term Negotiable Certificates of Deposits	₱5,380,000	₱–	₱5,343,041	3.25%	Interest shall be payable quarterly	6/6/2022
Long Term Negotiable Certificates of Deposits	7,000,000	–	6,967,077	4.13%	Interest shall be payable quarterly	6/12/2020
Long Term Negotiable Certificates of Deposits	4,000,000	–	3,986,777	3.25%	Interest shall be payable quarterly	4/22/2019
Long Term Negotiable Certificates of Deposits	5,000,000	–	4,985,977	3.00%	Interest shall be payable quarterly	2/5/2019
Long Term Negotiable Certificates of Deposits	3,100,000	3,099,272	–	5.18%	Interest shall be payable quarterly	2/17/2017
Unsecured Subordinated Notes	3,500,000	–	3,497,797	5.88%	Interest shall be payable quarterly	5/9/2022
Bills Payable	34,225,938	23,406,497	10,819,441	0.05% to 2.00%	Various	1/5/2017 to 10/9/2018 1/5/2021

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2016

(In thousand pesos)

Name of Related Parties [i]	Balance at Beginning of Period	Balance at Ending of Period [ii]	Nature, Terms and Conditions

None to report

(i) The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.
(ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of guarantee (ii)

None to Report

(i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2016

(Absolute number of shares)

Title of Issue [i]	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties [ii]	Directors, officers and employees	Others [iii]
Common Shares	**₱1,750,000,001**	**₱1,249,139,678**	**–**	**–**	**₱14,928,214**	**–**

Required information is contained in Note 25: Equity to the Audited Financial Statements of the Bank and Subsidiaries.

(i) Include in this column each type of issue authorized.
(ii) Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.
(iii) Indicate in a note any significant changes since the date of the last balance sheet filed.

PART III

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE OF FINANCIAL RATIOS
DECEMBER 31, 2016 AND 2015

	FORMULA	CONSOLIDATED		PARENT	
		2016	2015	2016	2015
(i) Liquidity Ratios					
a. Current Ratio	Current Assets/Current Liabilities	62.32%	66.75%	60.16%	62.24%
b. Liquid assets to total assets-gross	Liquid Assets-gross/Total Assets-gross	31.14%	29.40%	30.89%	29.79%
c. Liquid assets to total assets-net	Liquid Assets-net/Total Assets-net	31.85%	30.59%	31.60%	31.06%
d. Liquid assets ratio-gross	Liquid Assets-gross/Liquid Liabilities	40.23%	42.24%	39.80%	40.97%
e. Liquid assets-net	Liquid Assets-net/Liquid Liabilities	40.09%	42.06%	39.65%	40.77%
f. Liquid assets-gross to total deposits	Liquid Assets-gross/Total Deposits	42.24%	42.97%	41.63%	41.60%
g. Liquid assets-net to total deposits	Liquid Assets-net/Total Deposits	42.08%	42.78%	41.47%	41.41%
h. Net loans to total deposits	Net Loans/Total Deposits	71.26%	71.86%	66.90%	67.32%
(ii) Solvency Ratios					
a. Debt to equity ratio	Total Liabilities/Total Shareholders' Equity	5.86	5.49	5.63	5.34
b. Debt ratio	Total Liabilities/Total Assets	85.41%	84.59%	84.92%	84.24%
c. Equity ratio	Total SHE/Total Assets	14.59%	15.41%	15.08%	15.76%
(iii) Asset-to-Equity Ratios					
a. Asset to Equity ratio	Total Assets/Total SHE	6.86	6.49	6.63	6.34
b. Fixed assets to equity ratio	Total Fixed Assets/Total SHE	31.32%	33.75%	30.28%	34.20%
c. Fixed assets to total assets ratio	Total Fixed Assets/Total Assets	4.57%	5.20%	4.56%	5.39%
(iv) Interest Rate Coverage Ratios					
a. Times interest earned ratio	EBIT/Interest Expense	2.86	2.99	3.00	2.91
(v) Profitability Ratios					
a. Return on Assets					
1. Using Net Income	Net Income/Average Assets	1.00%	0.97%	1.07%	1.03%
2. Using Net Income attributable to parent	NIATP/Average Assets	1.00%	0.94%	1.07%	1.03%
a. Return on Equity					
1. Using Net Income	Net Income/Average Capital	6.69%	6.19%	6.84%	6.47%
2. Using Net Income attributable to parent	NIATP/Average Capital	6.66%	6.00%	6.84%	6.47%

	FORMULA	CONSOLIDATED		PARENT	
		2016	2015	2016	2015
(vi) Capital Adequacy Ratios					
a. Tier I capital ratio	Tier 1/Total RWA	15.80%	16.23%	11.45%	11.19%
b. Capital risk asset ratio	Qualifying Capital/Total RWA	16.65%	19.24%	12.31%	14.42%
(vii) Other Ratios					
a. Non-performing loans ratio	Non-performing loans/Adjusted Loans	2.49%	2.81%	2.41%	2.82%
b. Net interest margin	Net Interest Income/Average Earnings Assets	3.16%	3.24%	3.01%	3.14%
c. Efficiency ratio	Total Operating Expenses/Total Operating Income	63.81%	70.77%	64.42%	69.44%
d. Allowance for probable loan losses* to total loans ratio	Allowance for probable loan losses*/Total Loans*	2.01%	1.85%	2.12%	1.96%
e. Allowance for probable loan losses* to NPL ratio	Allowance for probable loan losses*/NPL	82.43%	67.46%	89.64%	70.88%

** Total loans pertain to receivables from customers.*

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name **Metro Manila**	**COMPLETE ADDRESS**
ANGONO	Quezon Ave. cor. E. Dela Paz St., Brgy. San Pedro, Angono, Rizal
ARRANQUE	1427 Citiriser Building, Soler St., Sta. Cruz, Manila
AYALA AVE.	G/F, VGP Center, 6772 Ayala Avenue, Makati City
BAYANAN-MUNTINLUPA	Allied Bank Building, National Road, Bayanan, Muntinlupa City
BENAVIDEZ	Unit G-1D, G/F BSA Mansion, 108 Benavidez St., Legaspi Village, Makati City
BETTER LIVING	50 ABC Bldg., Doña Soledad Ave., Better Living Subd., Parañaque City
BINONDO CENTER	Alliance Bldg., 410 Quintin Paredes St., Binondo, Manila
BUENDIA	56 Gil Puyat Ave., Buendia, Makati City
CALOOCAN	Gen. San Miguel St., Brgy. 4, Zone 1, Sangandaan, Dist. II, Caloocan City
CALOOCAN CENTER	1716 Rizal Ave. Ext. corner L. Bustamante St., Caloocan City
CUBAO	cor Gen. Araneta St. and Aurora Blvd., Cubao, Quezon City
DAPITAN	1710 Dapitan St. near cor. M. dela Fuente St., Sampaloc, Manila
DIVISORIA-STO. CRISTO	767 Sto. Cristo cor. M. delos Santos Sts., Divisoria, Manila
EARNSHAW	1357 Earnshaw corner Jhocson Sts., Sampaloc, Manila
FELIX AVENUE	F. P. Felix Avenue, Brgy. San Isidro, Cainta, Rizal 1900
J. ABAD SANTOS	Unit B, Dynasty Towers, J. Abad Santos corner Bambang Sts., Manila
KAMUNING	118 Kamuning Road, Quezon City
LAS PIÑAS	#19 Alabang Zapote Road, Pamplona II, Las Piñas City
MAIN	G/F, PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City
MAKATI CENTER	G/F, Allied Bank Center, 6754 Ayala Ave. cor. Legazpi St., Makati City
MAKATI POBLACION	1204 JP Rizal St., corner Angono & Cardona Streets, Makati City
MAKATI-C. PALANCA	G/F, Unit G1 and G2, BSA Suites, G103 C. Palanca cor. dela Rosa Sts., Makati City
MALABON	F. Sevilla Blvd., Brgy. Tañong, Malabon City
MALABON-RIZAL AVE.	701 Rizal Avenue Ext., corner Magsaysay St., Malabon City
MANDALUYONG	471 Shaw Blvd., Mandaluyong City

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
MARIKINA-A. TUAZON	Gil Fernando Ave. cor. Chestnut St., Brgy. San Roque, Marikina City
NAVOTAS	865 M. Naval St., Navotas City, Metro Manila
NEW MANILA	322 E. Rodriguez Sr. Ave., New Manila, Quezon City
NIA	EDSA corner Nia Road, Brgy. Piñahan, Diliman, Quezon City
NOVALICHES-QUIRINO	903 Quirino Hi-way, Brgy. Gulod, Novaliches, Quezon City
ORTIGAS	G/F, JMT Bldg., ADB Avenue, Ortigas Center, Pasig City
P. TUAZON	279 P. Tuazon Blvd., Cubao, Quezon City
PACO	756 Pedro Gil cor. Pasaje-Rosario Sts., Paco, Manila
PASAY	2976 Mexico Avenue, Pasay City
PASIG-SHAW	G/F, Jade Center Condominium, 105 Shaw Blvd., Brgy. Oranbo, Pasig City
PETRON MEGA PLAZA	G/F, Petron Mega Plaza Bldg., 358 Sen. Gil Puyat Avenue, Makati City
PLAZA DEL CONDE	G/F, San Fernando Towers, Plaza del Conde St., Binondo, Manila
PROJECT 3-AURORA BLVD.	1003 Aurora Blvd. cor. Lauan St., Quirino Dist., Quezon City
QUADRANGLE	Unit I, Paramount Bldg., EDSA corner West Ave., Quezon City
QUEZON CITY CIRCLE	Elliptical Road cor. Kalayaan Avenue, Diliman, Quezon City
RIZAL AVENUE	Rizal Avenue corner Saturnino Herrera St., Sta. Cruz, Manila
SAN LORENZO	G/F, Jackson Bldg., 926 A. Arnaiz Avenue, Makati City
VALENZUELA	313 San Vicente St. corner Mc Arthur Highway, Karuhatan, Valenzuela City
VALENZUELA-MC ARTHUR	101 McArthur Hi-way, Bo. Marulas, Valenzuela City
WACK WACK	G/F, Summit One Tower, 530 Shaw Blvd., Mandaluyong City
WEST AVENUE	92 West Ave., Quezon City
WEST TRIANGLE	1396 Quezon Ave., Quezon City
Northern Luzon	
AGOO	Verceles St., Consolacion, Agoo, La Union

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
ALAMINOS	Quezon Avenue, Poblacion, Alaminos City, Pangasinan
ANGELES	730 Sto. Rosario St., Angeles City, Pampanga 2009
APARRI	J.P.Rizal St., Aparri, Cagayan 3515
BAGUIO	51 Session Road,Corner Upper Mabini St., Baguio City
BALANGA	Zulueta St., Poblacion, Balanga, Bataan 2100
BALIUAG	015 Rizal St., San Jose, Baliuag, Bulacan
BANGUED	McKinley corner Peñarrubia Streets, Zone 4, Bangued, Abra , 2800
BANGUED-MAGALLANES	Taft cor. Magallanes Sts., Zone 5, Bangued, Abra
BASCO	NHA Bldg., Caspo Fiesta Road Kaychanarianan, Basco, Batanes
BATAC	cor San Marcelino and Concepcion Sts., Batac, Ilocos Norte
BAYOMBONG	J.P. Rizal St., District 4, Bayombong, Nueva Vizcaya
CABANATUAN	Corner Paco Roman and Del Pilar Sts., Cabanatuan City, Nueva Ecija
CANDON	National Highway cor. Dario St., San Antonio, Candon City 2700
CANDON-NATL HI-WAY	National Hi-way, Brgy. San Juan, Candon City, Ilocos Sur
CAUAYAN	Maharlika Hi-way cor Cabanatuan Rd., Cauayan, Isabela 3305
CONCEPCION	A. Dizon St., San Nicolas, Concepcion, Tarlac 2316
DAGUPAN	A.B. Fernandez Ave., Dagupan City
DAU	MacArthur Highway, Dau, Mabalacat, Pampanga 2010
GAPAN	Tinio Street, San Vicente, Gapan City, Nueva Ecija
GAPAN-POBLACION	Tinio Street, Poblacion, Gapan City, Nueva Ecija
GUAGUA	PNB Guagua Bldg., Brgy. Sto. Cristo, Guagua, Pampanga 2003
IBA	1032 R. Magsaysay Ave., Zone I, Iba, Zambales 2201
ILAGAN	Old Capitol Site Calamagui 2, Ilagan City, Isabela 3300
LA UNION	Quezon Ave., City of San Fernando, La Union
LAOAG	Brgy. 10, Trece Martires St. Corner J.P. Rizal St., Laoag City 2900
LINGAYEN	Avenida Rizal East cor. Maramba Blvd., Lingayen, Pangasinan

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
MALLIG PLAINS	Cor. Don Mariano Marcos Ave. & Bernabe Sts., Roxas, Isabela 3320
MALOLOS	Sto. Niño, Malolos City, Bulacan
MEYCAUAYAN	Mc Arthur Highway, Saluysoy, Meycauayan City, Bulacan
MUÑOZ	D. Delos Santos St. cor. Tobias St., Science City of Muñoz, Nueva Ecija
OLONGAPO	2440 Rizal Ave., East Bajac-Bajac, Olongapo City, Zambales 2200
PANIQUI	M.H. Del Pilar St., corner Mc Arthur Hi-way, Paniqui Tarlac
ROSALES	MC Arthur Highway, Carmen East, Rosales, Pangasinan
SAN FERNANDO	A. Consunji St., Sto. Rosario, City of San Fernando, Pampanga
SAN FERNANDO-LA UNION	612 Quezon Ave., San Fernando, La Union
SAN JOSE N. ECIJA	Maharlika Hi-way Cor. Cardenas St., San Jose City, Nueva Ecija 3121
SANTIAGO	Marcos Highway cor. Camacam St., Centro East, Santiago City, Isabela 3311
SOLANO-MAHARLIKA HI-WAY	Maharlika National Highway, Solano, Nueva Vizcaya
TARLAC	F. Tanedo St., San Nicolas, Tarlac City
TAYUG	PNB Tayug Branch Bldg., Zaragoza Street, Poblacion, Tayug, Pangasinan 2445
TUGUEGARAO	Bonifacio St., Tuguegarao City, Cagayan 3500
URDANETA	Mc Arthur Highway, Nancayasan, Urdaneta City, Pangasinan 2428
VIGAN	Leona Florentino St., Vigan City, Ilocos Sur 2700
Southern Luzon	
BACOOR	KM 17, Aguinaldo Highway, Bacoor, Cavite
BALAYAN	147 Plaza Mabini, Balayan, Batangas
CALAMBA	Burgos St., Calamba City
CALAPAN	J.P.Rizal St. Camilmil, Calapan City, Oriental Mindoro
CANDELARIA	National Road, Poblacion, Candelaria, Quezon
CAVITE	P. Burgos Avenue, Caridad, Cavite City

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
DAET	Carlos II St., Brgy, 3, Daet, Camarines Norte
DARAGA	Baylon Compound, Market Site, Rizal St., Daraga, Albay
IRIGA	Highway 1, San Roque, Iriga City, Camarines Sur
KAWIT	Allied Bank Bldg., Gen. Tirona Highway, Balsahan, Binakayan, Kawit, Cavite
LEGASPI	Corner Rizal and Gov. Forbes Sts., Brgy. Baybay, Legaspi City
LIPA	B. Morada Ave., Lipa City, Batangas
LOPEZ	San Francisco St. Talolong Lopez Quezon
LUCENA	Quezon Ave., Brgy IX, Lucena City
MAMBURAO	National Road, Brgy. Payompon, Mamburao, Occidental Mindoro
MANGARIN	Quirino corner M.H. Del Pilar Sts., Brgy. 6, San Jose, Occidental Mindoro 5100
MASBATE	Quezon St., Brgy. Pating, Masbate City, Masbate
NAGA	Gen. Luna St., Brgy. Abella, Naga City, Camarines Sur
ODIONGAN	#15 J.P. Laurel St., cor M. Formilleza St., Ligaya, Odiongan, Romblon
PUERTO PRINCESA	Valencia St. cor. Rizal Avenue, Brgy. Tagumpay, Puerto Princesa City, Palawan
PUERTO PRINCESA-RIZAL AVE.	Rizal Ave., Brgy. Mangahan, Puerto Princesa City, Palawan
SAN PABLO	M. Paulino St., San Pablo City, Laguna
SAN PEDRO	KM 30 National Hi-way, San Pedro, Laguna
SILANG	166 J.P. Rizal St., Silang, Cavite
SORSOGON	Rizal St., Sorsogon City
STA. CRUZ	Pedro Guevarra Avenue Brgy. Uno Sta. Cruz, Laguna
TABACO	Ziga Avenue, Cor. Bonifacio St., Tayhi, Tabaco City
TAGAYTAY-AGUINALDO	E. Aguinaldo Hi-way, Kaybagal South, Tagaytay City
Visayas	
ANTIQUE	T. Fornier St., Bantayan, San Jose, Antique 5700

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
BACOLOD-ARANETA	Araneta Ave., near cor. Luzuriaga St., Bacolod City, Negros Occidental
BAYAWAN	National Highway cor Mabini St., Brgy. Suba, Bayawan City
BAYBAY-MAGSAYSAY	148 R. Magsaysay Ave., Baybay, Leyte
BINALBAGAN	Don Pedro R. Yulo St., Binalbagan, Negros Occidental 6107
BORACAY	Brgy. Balabag, Boracay Island, Malay, Aklan FX Counter I - Oro Beach Resort, Station III, Boracay Island, Malay, Aklan FX Counter II - Plazoleta, Station II, Boracay Island, Malay, Aklan
BORONGAN	Real St., Brgy Songco, Borongan City, Samar
CADIZ	Cor Luna and Cabahug Sts., Cadiz City, Negros Occidental 6121
CALBAYOG	Maharlika Highway, Brgy Obrero, Calbayog City, Leyte
CATARMAN	Cor. Jacinto & Carlos P Garcia St., Brgy Narra, Catarman, Nothern Samar
CATBALOGAN	Imelda Park Site, Catbalogan, Western Samar 6700
CEBU	Corner M.C. Briones and Jakosalem Streets, Cebu City
DANAO	Juan Luna St., Danao City, Cebu
DUMAGUETE	Siliman Avenue cor Real St., Dumaguete City, Negros Orriental
DUMAGUETE-LOCSIN	33 Dr. V. Locsin St., Dumaguete City, Negros Oriental
ILOILO	Cor. Gen Luna & Valeria Street, Iloilo City
ILOILO-LEDESMA	Ledesma cor. Quezon Sts., Brgy. Ed Ganzon, Iloilo
JAKOSALEM	D. Jakosalem cor. Legaspi Sts., Cebu City
KABANKALAN	NOAC National Highway cor Guanzon St., Kabankalan City
KALIBO	0508 G. Pastrana St., Kalibo, Aklan
LAPU-LAPU *	Manuel L. Quezon National Highway, Pajo, Lapulapu City
LARENA	Roxas St., Larena, Siquijor
LUZURIAGA	Cor Luzuriaga and Araneta Sts., Bacolod City
MAASIN	Cor. Allen & Juan Luna St., Brgy. Tunga-tunga, Maasin City, Leyte
NAVAL	Cor. Caneja & Ballesteros Sts., Naval, Biliran Province 6543 ,Leyte

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
ORMOC	Cor. Cata-ag & Bonifacio Sts., Ormoc City, Leyte
PASSI	5037 F. Palmares Street, Passi City, Iloilo (beside St. William Parish Church).
PLAZA LIBERTAD	JM Basa Street, Iloilo City 5000
POTOTAN	Guanco St., Pototan, Iloilo
ROXAS	Cor. CM Recto & G. Del Pilar Streets, Brgy. III, Roxas City, Capiz 5800
ROXAS DOWNTOWN	Roxas Ave., Roxas City, Capiz
SAN CARLOS	V. Gustilo St., San Carlos City
SILAY	Rizal St., Silay City
TACLOBAN	Cor. Sto. Niño & Justice Romualdez Sts., Tacloban City, Leyte 6500
TACLOBAN-ZAMORA	111 Zamora St., Tacloban City, Leyte
TAGBILARAN	C. P. Garcia Ave. cor. J. A. Clarin St., Poblacion, Tagbilaran City, Bohol
TANJAY	Magallanes cor. E. Romero Sts, Tanjay City, Negros Oriental.
TOLEDO	Rafols St., Poblacion, Toledo City, Cebu
TUBIGON	Corner Cabangbang Avenue & Jesus Vaño Street, Centro, Tubigon, Bohol, Philippines
VICTORIAS	Cor. Ascalon and Montinola Sts., Victorias City
Mindanao	
AGUSAN DEL SUR	Roxas St., Brgy 4, San Francsico, Agusan del Sur
BASILAN	Strong Blvd., Isabela, Basilan
BASILAN- ROXAS	Roxas Ave., Isabela City, Basilan Province
BISLIG	Cor. Abarca & Espiritu Sts., Mangagoy, Bislig, Surigao del Sur
BUTUAN	Montilla Blvd., Brgy. Dagohoy, Butuan City, Agusan del Norte
BUUG	National Highway, Poblacion, Buug, Zamboanga, Sibugay
CAGAYAN DE ORO	Corrales Ave., cor. T. Chavez St., Cagayan de Oro City, Misamis Oriental
CDO-COGON	JR Borja cor. V. Roa Sts., CDO City, Misamis Oriental

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
CDO-DIVISORIA	Tiano Brothers cor. Cruz Taal Sts., CDO City, Misamis Oriental
CDO-LAPASAN	Lim Ket Kai Drive, Lapasan, CDO City, Misamis Oriental
COTABATO	39 Makakua St., Cotabato City, Maguindanao
COTABATO-DOROTHEO	Alejandro Dorotheo St. cor. Corcuera St., Cotabato City, North Cotabato
DAVAO	San Pedro St., cor. C.M. Recto St., Davao City, Davao del Sur
DAVAO-CM RECTO	CM Recto St., Davao City
DAVAO-SAN PEDRO	San Pedro St., Davao City
DIGOS	Quezon Avenue, Digos, Davao del Sur
DIPOLOG	Gen. Luna St. cor. C.P. Garcia Sts., Dipolog City, Zamboanga del Norte
GENERAL SANTOS	City Hall Dr. Osmena St., General Santos City, South Cotabato
GINGOOG	National Highway, Brgy. 23, Gingoog City, Misamis Oriental
ILIGAN	Cor. Gen. Aguinaldo & Labao Sts., Poblacion, Iligan City, Lanao del Norte
IPIL	National Hi-way, Poblacion, Ipil, Zamboanga Sibugay
JOLO-AROLAS	Gen. Arolas corner Magno Sts., Jolo, Sulu
KIDAPAWAN	Quezon Blvd., Kidapawan City, North Cotabato
KORONADAL	Morrow St., Koronadal, South Cotabato
KORONADAL-POBLACION	Gen. Santos Drive, Brgy. Zone 1, Koronadal City, South Cotabato
LIMKETKAI CENTER	Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental
MAMBAJAO	Cor. Gen. Aranas & Burgos Sts., Brgy. Poblacion, Mambajao, Camiguin
MARANDING	National Highway, Maranding, Lala, Lanao del Norte
MARAWI	Perez St., Poblacion, Marawi City, Lanao del Sur
MATI	Rizal Ext., Brgy. Central, Mati, Davao Oriental
MIDSAYAP	Quezon Avenue, Midsayap, North Cotabato
MOLAVE	Mabini St., Molave, Zamboanga del Sur
OROQUIETA	Sen. Jose Ozamis St., Lower Lamac, Oroquieta City, Misamis Occidental

Exhibit I

PHILIPPINE NATIONAL BANK
List of Bank Owned Properties
As of December 31, 2016

Branch Name	COMPLETE ADDRESS
OZAMIS	Rizal Ave., Aguada, Ozamis City, Misamis Occidental
PAGADIAN	Rizal, Ave., Balangasan District, Pagadian City, Zamboanga del Sur
PAGADIAN-PAJARES	F.S. Pajares Ave. cor. Cabrera St., Brgy. San Francisco, Pagadian City, Zamboanga del Sur
SK PENDATUN	Quezon Ave., Cotabato City
SURIGAO	45 Rizal St., Brgy. Washington, Surigao City, Surigao del Norte
TACURONG	Alunan Highway, Tacurong City, Sultan Kudarat
TAGUM	Rizal St., Magugpo, Poblacion, Tagum City, Davao del Norte
TANDAG	Napo, National Highway, Tandag, Surigao del Sur
TAWI-TAWI BONGAO	Datu-Halun St., Bongao, Tawi-Tawi
ZAMBOANGA	J.S. Alano St., Zamboanga City, Zamboanga del Sur
ZAMBOANGA-SUCABON	Mayor MS Jaldon St., Zamboanga City, Zamboanga del Sur

Exhibit II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2016

Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
Metro Manila			
168 MALL	Stall 3S-04, 168 Shopping Mall, Sta. Elena, Soler Sts., Binondo, Manila	124,287.12	14-May-19
A. BONIFACIO	789 A. Bonifacio Ave. Brgy. Pag-Ibig sa Nayon, Balintawak, Quezon City	107,520.00	14-May-19
ACROPOLIS	251 TriQuetra Bldg., E. Rodriguez Jr. Ave., Brgy. Bagumbayan, Quezon City	170,000.00	31-Oct-20
ADRIATICO	G/F, Pearl Garden Hotel, 1700 M. Adriatico cor. Malvar Sts., Malate, Manila	203,700.00	30-Jun-24
AGUILAR AVENUE-LAS PIÑAS	G/F, Las Piñas Doctors' Hospital, Aguilar Ave., Citadella Subd., Las Piñas City	141,715.61	26-Sep-19
AGUIRRE	G/F, 112 All Seasons Building, Aguirre St., Legaspi Village, Makati City	119,142.01	27-Sep-19
ALABANG	G/F, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Ayala Alabang, Muntinlupa	165,820.60	15-Mar-17
ALABANG-LAS PIÑAS	Don Mariano Lim Industrial Compound, Alabang Zapote Rd. cor. Concha Cruz Rd., Las Piñas	100,000.00	31-Dec-17
ALI MALL	Alimall ll Bldg., Gen. Romulo Ave., cor P. Tuazon Blvd., Cubao, Quezon City	in progress	
ALMANZA	Hernz Arcade, Alabang-Zapote Road, Almanza, Las Piñas City 1750	118,543.51	31-Mar-18
AMORSOLO	114 Don Pablo Building, Amorsolo St., Legaspi Village, Makati City	212,991.87	31-Jul-18
ANNAPOLIS	G/F, Continental Plaza, Annapolis St., Greenhills, San Juan	137,812.50	28-Feb-18
ANTIPOLO	89 P. Oliveros St., Kapitoloyo Arcade, San Roque, Antipolo City, Rizal	80,000.00	31-Dec-19
ANTIPOLO-CIRCUMFERENTIAL	Circumferential Road, Brgy. Dalig, Antipolo, Rizal	9,000.00	21-Apr-16
AURORA BLVD.-KATIPUNAN	Aurora Blvd., near PSBA, Brgy. Loyola Heights, Quezon City	38,587.50	14-Nov-16
BALIC-BALIC	AGB Bldg., 1816 G. Tuason cor. Prudencio Sts., Balic-Balic, Sampaloc, Manila	77,175.00	31-Mar-18
BAMBANG MASANGKAY	G/F, ST Condominium, 1480 G. Masangkay St., Sta. Cruz, Manila	133,705.69	29-Feb-16
BANAWE	210 Banawe Street, Brgy. Tatalon, Quezon City	147,000.00	31-Dec-19
BANAWE-N. ROXAS	395 Prosperity Bldg. Center, Banawe cor. N. Roxas Street, Quezon City	210,000.00	31-Dec-19
BANGKAL	G/F, E. P. Hernandez Bldg., 1646 Evangelista St., Bangkal, Makati City	92,137.50	31-Oct-17
BATASANG PAMBANSA	Main Entrance, Batasan Pambansa Complex, Constitutional Hills, Quezon City	3,400.00	12-Feb-17

BEL-AIR MAKATI	52 Jupiter St., Bel-Air, Makati City	250,000.00	05-Jun-21
BELLEVUE-FILINVEST	G/F, Bellevue Hotel, North Bridgeway, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City	189,000.00	31-Jul-19
BF HOMES	43-C President Avenue, BF Homes, Parañaque City	93,712.50	31-Dec-18
BF HOMES-AGUIRRE AVENUE	47 Aguirre Ave. corner Tirona St., B.F. Homes, Parañaque City 1718	79,763.50	12-Jul-17
BF HOMES-PHASE 3	47 Aguirre Ave. corner Tirona St., BF Homes, Parañaque City 1718	99,225.00	31-Dec-18
BICUTAN	VCD Building, 89 Doña Soledad Avenue Betterliving Subdivision, Bicutan, Parañaque City	60,000.00	24-May-16
BICUTAN-WEST SERVICE ROAD	Km. 16, West Service Road, South Super Highway, Bicutan, Parañaque City	60,775.31	31-Dec-17
BINONDO	452 San Fernando St. cor. Elcano St., Binondo, Manila	169,400.00	31-Dec-16
BINONDO-NUEVA	Lot 17-18, Blk. 2037, Yuchengco (formerly Nueva) St. & Tomas Pinpin St., Binondo, Manila	158,260.50	30-Nov-20
BLUMENTRITT	Citidorm Blumentritt, 1848 Blumentritt corner Leonor Rivera Sts., Sta. Cruz, Manila	90,000.00	30-Nov-19
BLUMENTRITT-RIZAL AVE. EXT.	2229-2231 Rizal Avenue, Sta. Cruz, Manila	88,200.00	31-Dec-17
BONI AVENUE	654 Boni Ave., Mandaluyong City	128,784.62	31-Dec-16
BONIFACIO GLOBAL CITY	Shop 2, The Luxe Residences 28th St., cor 4th Ave., Bonifacio Global City, Taguig	288,144.00	30-Nov-19
BSP SU	G/F, Cafetorium Building, BSP Complex, A. Mabini cor. P. Ocampo Sts. Malate, Manila	12,000.00	30-Jun-16
C. PALANCA	201 C. Palanca corner Quezon Blvd., Quiapo, Manila	132,300.00	30-Nov-18
CAINTA	RRCG Transport Bldg., Km. 18 Ortigas Avenue Extension, Brgy. San Isidro, Cainta, Rizal	65,000.00	08-Sep-16
CAINTA - FELIX AVE.	G/F, Arellano Bldg., Felix Ave., cor. Village East Ave., Cainta, Rizal	56,453.34	15-Feb-17
CAINTA-ORTIGAS AVE. EXTENSION	Paramount Plaza, Km. 17, Ortigas Ave. Ext., Brgy. Sto. Domingo, Cainta, Rizal	110,617.50	11-Dec-20
CALOOCAN-A.MABINI	451 A. Mabini corner J. Rodriguez St., Caloocan City	80,357.14	14-Feb-18
CARTIMAR-TAFT	SATA Corp. Bldg., 2217 Cartimar-Taft Avenue, Pasay City	105,140.25	15-Oct-19
CENTURY PARK	G/F, Century Park Hotel, M. Adriatico cor. P. Ocampo Sts., Malate, Manila	227,850.00	28-Feb-19
CHINO ROCES AVENUE EXT.	GA Building, 2303 Don Chino Roces Ave. Ext., Makati City	212,854.49	15-May-19
CM RECTO	G/F, Dr. Lucio C. Tan Bldg., UE Manila Annex, C.M. Recto, Manila	84,560.85	12-Jul-20
COA	COA Building, Commonwealth Avenue, Quezon City	53,556.15	31-Dec-18
COMMONWEALTH	G/F, KC Square Bldg., 529 Commonwealth Avenue, Quezon City	85,730.40	01-Dec-19
QUEZON CITY-VISAYAS AVENUE (formerly CONGRESSIONAL)	Wilcon City Center, No. 121 Visayas Avenue, Brgy. Bahay Toro, Quezon City	119,326.68	19-Apr-17
CUBAO-HARVARD	SRMC Bldg., 901 Aurora Blvd. cor Harvard & Stanford Sts., Cubao, Quezon City	100,000.00	30-Sep-16
DASMA-MAKATI	2284 Allegro Center, Chino Roces Avenue Extension, Makati City	122,492.50	31-Oct-20

DEL MONTE	116 Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	132,490.18	31-Jul-16
DELTA	101-N dela Merced Bldg., West Avenue corner Quezon Avenue, Quezon City	95,408.99	31-Aug-16
DIVISORIA	869 Sto. Cristo St., Binondo, Manila	100,000.00	06-Sep-20
DIVISORIA MARKET	706-708 Elcano St., Binondo, Manila	30,579.55	28-Feb-15
DIVISORIA-JUAN LUNA	CK Bldg., 750 Juan Luna St., Binondo, Manila	130,277.25	31-Mar-18
DOMESTIC AIRPORT	G/F, PAL Data Center Bldg., Domestic Airport Road, Pasay City	15,769.28	31-Jan-14
DON ANTONIO HEIGHTS	30 G/F, Puno Foundation Bldg., Brgy. Holy Spirit, Quezon City	59,172.00	30-Nov-11
E. RODRIGUEZ -G. ARANETA	599 B, G. Araneta Ave. cor. E. Rodriguez Sr. Ave., Doña Imelda, Quezon City	40,516.88	31-Aug-17
E. RODRIGUEZ SR. AVE.-BANAUE	97 ECCOI Building, E. Rodriguez Sr. Avenue, Brgy. Tatalon, Quezon City 1102	46,800.00	31-Aug-16
E. RODRIGUEZ SR. AVENUE	1706 Rimando Building, E. Rodriguez Sr. Ave., Cubao, Quezon City	97,655.47	31-May-16
EASTWOOD CITY	MDC 100 Building, Mezzanine Level, Unit M3, E. Rodriguez Jr. Ave., corner Eastwood Ave., Brgy. Bagumbayan, Libis, Quezon City 1110	239,982.40	22-Apr-19
EDISON-BUENDIA	Visard Bldg, #19 Sen. Gil Puyat Ave., Makati City	101,513.96	07-Feb-21
EDSA BALINTAWAK	337-339 EDSA corner, Don Vicente Ang St., Caloocan City	96,000.00	10-Jun-19
EDSA EXTENSION	235-A Loring St., Pasay City	129,868.34	28-May-19
EDSA ROOSEVELT	1024 Global Trade Center Bldg., EDSA, Quezon City	139,162.10	31-Jan-19
EDSA-CALOOCAN	462 G/F, Insular Life Bldg., cor. B. Serrano, EDSA, Caloocan City	86,691.42	31-Jul-20
EDSA-ETON CYBERPOD CENTRIS	G/F, One Cyberpod Centris, EDSA Eton Centris, cor. EDSA & Quezon Ave., Quezon City	108,050.60	31-Mar-20
ELCANO	706-708 Elcano St., Binondo, Manila	120,608.32	30-Nov-17
ERMITA-ROXAS BOULEVARD	Roxas Boulevard corner Arquiza St., Ermita, Manila	243,581.00	15-Jan-21
ERMITA-U.N.	Physician's Tower, 533 U.N. Avenue, cor. San Carlos Sts., Ermita, Manila	151,648.87	31-Jan-18
ESCOLTA	G/F, Regina Bldg., Escolta, Manila	202,447.26	30-Sep-20
ESPAÑA	Unit 104, St. Thomas Square, 1150 España Blvd., cor Padre Campa St., Sampaloc East, Manila	51,850.50	15-Mar-18
ESPAÑA-WELCOME ROTONDA	10 Doña Natividad Bldg., Quezon Ave., Welcome Rotonda, Quezon City	90,852.64	15-Jun-16
ETON-BELTON YAKAL	Unit 5A, Belton Place Makati, Pasong Tamo corner Yakal Sts., Makati City	121,738.59	30-Jun-20
ETON-CORINTHIAN	Unit 78 E-Life, Eton Cyberpod Corinthian, EDSA cor. Ortigas Ave., Brgy. Ugong Norte, Quezon City	129,105.50	14-Mar-20
EVER GOTESCO	Lower G/F, Stall No. 20, Ever Gotesco Commonwealth, Quezon City	43,444.22	06-Mar-16
FAIRVIEW	No. 41, Regalado Ave., West Fairview, Quezon City	157,883.16	31-May-21
FAIRVIEW-COMMONWEALTH	70 Commonwealth Ave., Fairview Park Subd., Fairview, Quezon City	79,000.00	31-Mar-18

FILINVEST AVENUE	BC Group Center, Filinvest Avenue & East Asia Drive, Filinvest Corporate City, Alabang, Muntinlupa City	184,137.86	15-Jan-17
FORT BONIFACIO-INFINITY	G/F, 101 The Infinity Tower, 26th Street, Fort Bonifacio, Taguig City	239,200.00	15-May-16
FORT BONIFACIO-MCKINLEY HILL	G/F, Unit B, McKinley Hill 810 Bldg., Upper McKinley Road, McKinley Town Center, Fort Bonifacio, Taguig City	295,900.00	07-Apr-16
FRISCO	Unit E/F, MCY Bldg., #136 Roosevelt Ave., SFDM, Quezon City	40,518.00	19-Oct-19
FRISCO-SFDM	972 Del Monte Ave., corner San Pedro Bautista St., SFDM, Quezon City	86,821.87	23-Jan-18
FTI	Lot 55, G/F Old Admin Bldg., FTI Complex,Taguig City	80,996.80	07-Jul-19
G. ARANETA	1-B Dolores Go Buidling, G. Araneta Ave., Quezon City	121,501.80	10-May-19
GALAS	20 A. Bayani St., corner Bustamante, Galas, Quezon City	207,966.56	31-May-21
GEN. T. DE LEON	4024 General T. de Leon Street, Brgy. Gen. T. de Leon, Valenzuela City	84,251.57	31-Jul-21
GILMORE	Gilmore IT Center No. 08, Gilmore Ave., cor 1st St., New Manila, Quezon City	167,388.38	31-Dec-19
GOV. PASCUAL	157 Gov. Pascual Avenue, Acacia, Malabon City	49,498.28	15-Jun-18
GRACE PARK	354 A-C 10th Ave., Grace Park, Caloocan City	73,920.00	13-May-19
GRACE PARK-3RD AVE.	126 Rizal Avenue Ext., Between 2nd and 3rd Avenue, Grace Park, Caloocan City	111,396.73	31-Oct-21
GRACE PARK-7TH AVE.	322 Rizal Ave. Ext. near corner, 7th Avenue, Grace Park, Caloocan City	70,000.00	31-Jul-17
GRACE VILLAGE	G/F, TSPS Bldg., Christian cor. Grace Sts., Grace Village, Quezon City	107,854.25	31-Dec-16
GRANADA	G/F, Xavier Hills Condominium, 32 Granada cor. N. Domingo Sts., Brgy Valencia, Quezon City	134,361.51	29-Feb-20
GREENBELT	G/F, 114 Charter House Building, Legaspi St., Legaspi Village, Makati City	143,487.97	30-Sep-26
GREENHILLS	G/F, One Kennedy Place, Club Filipino Drive Greenhills, San Juan City	273,346.70	31-May-25
GREENHILLS CENTER	G/F, Limketkai Bldg., Ortigas Ave., Greenhills, San Juan City	306,605.25	18-Jun-18
GSIS	Level 1 GSIS Bldg., Financial Center, Roxas Blvd., Pasay City	109,347.15	31-May-18
GUADALUPE	Pacmac Bldg., 23 EDSA Guadalupe, Makati City	141,380.59	18-Oct-21
HARRISON PLAZA	RMSC Bldg., M. Adriatico St., Malate, Manila	Rent free	09-Jan-20
INTRAMUROS	G/F, Marine Technology Bldg. Cor. A Soriano Ave. & Arzobispo Sts., Intramuros, Manila	142,412.26	30-Jun-19
INTRAMUROS-CATHEDRAL	707 Shipping Center Condominium, A. Soriano Jr. St., Intramuros, Manila	113,536.35	30-Nov-19
J.P. LAUREL	G/F, Gama Bldg., J. P. Laurel cor. Minerva Sts., San Miguel, Manila	118,077.75	28-Feb-19
JADE-ORTIGAS	Antel Global Corporate Center Building, Jade Drive, Ortigas Center, Pasig City	118,355.58	29-Feb-16
KAMIAS	99-101 Ground Floor, Topaz Bldg., Kamias Road, Quezon City	99,484.44	31-May-19
KAPASIGAN	Emiliano A. Santos Bldg., A. Mabini cor. Dr. Sixto Antonio Ave., Pasig City	210,000.00	30-Sep-20
KATIPUNAN	335 Agcor Bldg., Katipunan Ave., Loyola Heights, Quezon City	169,205.16	31-Dec-16

KATIPUNAN-ST. IGNATIUS	G/F, Linear Building, 142 Katipunan Road, Quezon City	97,500.00	31-Jan-19
LAGRO	BDI Center Inc., Lot 33, Blk. 114, Regalado Ave., Greater Lagro, Quezon City	144,005.12	16-Sep-18
LAGRO-QUIRINO	Km. 21, Lester Bldg., Quirino Highway, Lagro, Quezon City	112,266.00	30-Jun-19
LAS PIÑAS-ALMANZA	Consolidated Asiatic Project, Inc. Bldg., Alabang-Zapote Road, Brgy. Almanza Uno, Las Piñas City	144,257.40	31-Mar-17
LEGASPI VILLAGE	First Life Center 174 Salcedo St., Legaspi Village, Makati City	117,467.37	15-Oct-19
LEON GUINTO	G/F, Marlow Bldg., 2120 Leon Guinto St., Malate Manila	187,393.34	15-Jul-20
LUNETA	National Historical Institute (NHI) Compound, T.M. Kalaw St., Ermita, Manila	40,000.00	26-Apr-18
MACEDA-LAONG LAAN	G/F, Maceda Place Bldg., Laong-Laan cor. Maceda St., Sampaloc, Manila	86,905.80	14-Sep-19
MALATE-TAFT	Mark 1 Building, 1971 Taft Avenue, Malate , Manila 1004	164,514.37	18-Jul-21
MALINTA	Moiriah's Building, 407 Mc Arthur Highway, Malinta, Valenzuela City	88,853.50	31-Aug-20
MANDALUYONG SHAW	VSK Building, 2 Acacia Lane corner Shaw Blvd., Mandaluyong City	115,473.12	15-Jun-19
MARIKINA	Shoe Ave. corner W. Paz St., Sta. Elena, Marikina City 1800	205,838.29	14-Nov-20
MARIKINA-CONCEPCION	Bayan-Bayanan Ave. cor. Eustaquio St., Concepcion, Marikina City	162,067.50	30-Jun-17
MARIKINA-STA. ELENA	314 J. P. Rizal St., Bgy. Sta. Elena, Marikina City	65,000.00	31-Jul-18
MASANGKAY	916 G. Masangkay St., Binondo, Manila	239,359.42	30-Nov-21
MASINAG	Silicon Valley Bldg., 169 Sumulong Highway, Mayamot, Antipolo City	67,915.20	31-Dec-16
MASINAG-SUMULONG	F. N. Crisostomo Bldg. 2, Sumulong Highway, Mayamot, Antipolo City, Rizal	84,000.00	28-Feb-20
MATALINO	21 Tempus Bldg., Matalino St., Diliman, Quezon City	118,411.08	30-Jun-21
METROPOLITAN AVENUE	G/F,1012 BUMA Bldg., Metropolitan Avenue, San Antonio Village, Makati City	113,647.60	15-Oct-18
MINDANAO AVE.	888 Yrreverre Square Bldg., Mindanao Ave., Brgy. Talipapa, Novaliches, Quezon City	116,781.44	30-Jun-21
MONTALBAN	E. Rodriguez Ave., corner Midtown Subdivision, Rosario, Rodriguez, Rizal	72,930.38	31-May-16
MONUMENTO	419 D&I Bldg., EDSA, Caloocan City	112,000.00	30-Jun-17
MORAYTA	929 Consuelo Building, Nicanor Reyes St., Sampaloc, Manila	141,230.25	31-Jul-17
MUNTINLUPA	G/F, Arbar Building, National Highway, Poblacion, Muntinlupa City	84,341.25	18-Jun-19
MWSS	MWSS Compound, Katipunan Road, Balara, Quezon City	84,821.70	01-Jan-17
N.S. AMORANTO	Unit 103, “R” Place Building, 255 N.S. Amoranto Sr. Avenue, Quezon City	98,091.59	31-May-18
NAGA ROAD-LAS PIÑAS	Lot 2A, Naga Road corner DBP Extension, Pulang Lupa Dos, Las Piñas City	44,800.00	12-Apr-22
NAIA	Arrival Area Lobby, NAIA Complex, Pasay City	9,959.40	31-Dec-15
NAIA 1	Departure Area, NAIA Terminal Bldg., Imelda Ave., Parañaque City, Metro Manila	28,927.80	31-Aug-11
NAIA 2	NAIA Centennial Terminal II, Northwing Level Departure Intl.,Bldg., Pasay City	21,438.56	31-Dec-14
NAIA 3	Arrival Area Lobby, NAIA Terminal 3 Complex, Pasay City	21,736.00	31-Dec-15

NAVOTAS-FISH PORT	Bulungan cor Daungan Ave., Navotas Fish Port Complex, North Bay Boulevard South, Navotas City	17,947.20	17-Mar-18
NFA	SRA Building, Brgy. Vastra, North Avenue, Quezon City	33,720.96	31-Aug-16
NORTHBAY	511 Honorio Lopez Blvd., Balut, Tondo, Manila	38,408.48	31-Oct-20
NOVALICHES	513 Quirino Highway, Talipapa, Novaliches, Quezon City	53,000.00	24-Feb-20
NPC	Agham Road, Diliman, Quezon City	156,697.20	25-Nov-18
ONGPIN	Prestige Tower, 919 Ongpin St., Sta. Cruz, Manila	151,011.10	18-Apr-18
ORTIGAS CENTER-GARNET	Unit 104, Taipan Place Building, Emerald Ave., Ortigas Center, Pasig City	127,338.75	15-Oct-17
OYSTER PLAZA	Unit D1, Oyster Plaza Bldg., Ninoy Aquino Ave., Brgy. San Dionisio, Paranaque City	72,930.38	31-Oct-15
PADRE FAURA	PAL Learning Center Bldg., 540 Padre Faura cor. Adriatico Sts., Ermita, Manila	97,337.74	30-Jun-26
PADRE RADA	647 RCS Bldg., Padre Rada St., Tondo, Manila	184,481.23	31-Oct-19
PAMPLONA	267 Alabang-Zapote Road, Pamplona Tres, Las Piñas City	104,186.25	07-Feb-18
PANDACAN	Jesus Street, Cor. T. San Luis, Pandacan, Manila	63,720.22	31-Oct-20
PASAY-EDSA	765 EDSA, Malibay, Pasay City	106,203.83	14-Sep-18
PASAY-LIBERTAD	244 P. Villanueva St., Libertad, Pasay City	93,593.99	30-Dec-16
PASAY-TAFT	2482 Taft Avenue, Pasay City	176,400.00	31-Jan-18
PASIG	G/F, Westar Bldg., 611 Shaw Blvd., Pasig City 1600	133,827.27	30-Sep-17
PASIG-C. RAYMUNDO	G/F, JG Bldg., C. Raymundo Ave., Maybunga, Pasig City	73,169.43	31-Aug-20
PASIG-ORTIGAS EXT.	103 B. Gan Building, Ortigas Ave. Ext., Rosario, Pasig City	111,300.00	31-Aug-18
PASIG-SANTOLAN	Amang Rodriguez Ave., Brgy. Dela Paz, Santolan, Pasig City	102,052.91	07-Dec-18
PASIG-TIENDESITAS	G/F, Units 4-5, Silver City Bldg., No. 03, Frontera Verde Drive, Ortigas Center, Pasig City	176,100.00	29-Sep-20
PASO DE BLAS	179 Paso de Blas, Valenzuela City	110,000.00	31-May-19
PASONG TAMO	2233 Chino Roces Avenue, Makati City	114,916.95	30-Jun-21
PGH	PGH Compound, Taft Avenue, Ermita, Manila	334,800.00	01-Nov-13
PIONEER	G/F, B. Guerrero Complex, 123 Pioneer St., Mandaluyong City	120,000.00	14-Apr-19
PLAZA STA. CRUZ	740 Florentino Torres St., Sta. Cruz, Manila 1003	144,735.61	14-Sep-22
PORT AREA	G/F, Bureau of Customs Compound, South Harbor, Port Area, Manila	92,702.46	23-Nov-18
POTRERO	A & S Building, 189 McArthur Highway, Potrero, Malabon City	78,100.34	12-Apr-20
PRITIL	MTSC Bldg., Juan Luna cor.Capulong Ext., Tondo, Manila 1012	102,678.57	31-Oct-20
PROJECT 8	Mecca Trading Bldg., Congressional Avenue, Project 8, Quezon City	80,000.00	01-Jun-16

QUIAPO	516 Evangelista cor. Ronquillo Sts., Quiapo, Manila	132,490.18	15-Feb-16
REINA REGENTE	1067 Don Felipe St., (near corner Reina Regente), Binondo, Manila	72,930.38	31-Mar-16
REMEDIOS	G/F, Royal Plaza Twin Towers Condominium, 648 Remedios cor. Ma. Orosa Sts., Malate, Manila	97,240.50	31-Aug-15
RETIRO	422 N.S. Amoranto St., Edificio Enriqueta Bldg., Sta. Mesa Heights, Quezon City	138,567.71	15-Apr-18
ROCES AVENUE	54 Don Alejandro Roces Ave., Quezon City	41,000.00	31-Aug-14
ROCKWELL CENTER	Stall No. RS-03, G/F, Manansala Tower, Estrella St., Rockwell Center, Makati City	196,734.63	31-Mar-18
ROOSEVELT	256 Roosevelt Ave., San Francisco del Monte, Quezon City	147,000.00	30-Apr-19
ROXAS BLVD.	Suite 101, CTC Building 2232 Roxas Boulevard, Pasay City	119,125.00	28-Feb-17
SALCEDO VILLAGE	G/F, LPL Mansions Condominium, 122 L.P. Leviste St., Salcedo Village, Makati City 1227	173,088.98	19-Apr-21
SALCEDO-DELA COSTA	G/F, Classica Tower Condominium, 114 H.V. Dela Costa St., Salcedo Village, Makati City	95,659.20	30-Apr-19
SAMSON ROAD	149 Samson Road corner P. Bonifacio St., Caloocan City	80,405.74	31-Jan-19
SAN ANDRES	1155 Swanson Building cor. Linao Street, San Andres, Manila	102,876.48	31-Jul-20
SAN JUAN	213 F. Blumentritt St. cor. Lope K. Santos, San Juan City	70,420.35	31-Mar-18
SAN LORENZO-ARNAIZ	G/F, Power Realty Bldg., 1012 A. Arnaiz Avenue, Brgy. San Lorenzo, Makati City	81,033.75	30-Jun-21
SAN MATEO	19 Gen. Luna St., Brgy. Banaba, San Mateo, Rizal	49,835.76	31-Oct-16
SAN NICOLAS	534 Gedisco Towers, Asuncion St., San Nicolas, Manila	170,093.09	31-Mar-19
SHANGRI-LA PLAZA	Unit AX 116 P3 Carpark Bldg., Shangri-la Annex Plaza Mall, Edsa corner Shaw Blvd., Mandaluyong City	131,054.00	30-Sep-20
SHAW BLVD.	Starmall cor. EDSA Shaw Blvd., Mandaluyong City	102,101.10	31-Jul-15
SHAW BLVD.-PRINCETON	G/F, Sun Plaza Bldg., 1505 Princeton St. cor. Shaw Blvd., Mandaluyong City	172,500.00	30-May-17
SSS DILIMAN	G/F, SSS Building, East Avenue Diliman, Quezon City	172,800.00	31-Jan-18
STARMALL ALABANG	Upper Ground Level, Starmall Alabang, South Superhighway, Alabang, Muntinlupa City, 1770	43,200.00	14-Aug-16
SUCAT	G/F, Kingsland Bldg., Dr. A. Santos Avenue, Sucat, Parañaque City	127,310.00	31-Oct-20
SUCAT-EVACOM	G/F, AC Raftel Center, 8193 Dr. A. Santos Ave., Sucat Road, Paranaque City	158,015.81	30-May-19
T. ALONZO	905 T. Alonzo cor. Ongpin Sts., Sta. Cruz, Manila	179,025.00	31-Mar-20
TAFT AVENUE	G/F, One Archers' Place Condominium, 2311 Taft Avenue, Malate, Manila	114,595.38	30-Nov-20
TANAY	Tanay New Public Market Road, Brgy. Plaza Aldea, Tanay, Rizal	40,000.00	29-Oct-17
TANDANG SORA	102 cor. San Miguel Village and Tandang Sora Ave., Brgy. Pasong Tamo, Quezon City	60,500.00	25-Sep-16
TAYTAY	Ilog Pugad National Road, Brgy. San Juan, Taytay, Rizal	36,538.25	22-Oct-18
THE FORT-BURGOS CIRCLE	Unit GF-4, The Fort Residences, 30th St., corner 2nd Avenue, Padre Burgos Circle, Bonifacio Global City, Taguig	257,571.42	30-Nov-17

TIMOG	G/F, Newgrange Bldg., 32 Timog Ave., Brgy. Laging Handa, Quezon City	84,000.00	13-Nov-16
TONDO	1941-1943 Juan Luna St., Tondo, Manila	103,318.03	31-Oct-17
TUTUBAN	LS 31 Podium Level, Tutuban Prime Block Mall, Tutuban Center, C.M. Recto, Manila	104,500.52	14-Jun-17
TUTUBAN-ABAD SANTOS	1450-1452 Coyuco Bldg., Jose Abad Santos, Tondo, Manila	55,645.87	31-Aug-16
U.E. RECTO	G/F, Dalupan Bldg., University of the East, 2219 Claro M. Recto Ave., Manila	61,528.50	31-Mar-20
U.N. AVENUE	G/F, UMC Bldg., 900 U.N. Avenue, Ermita, Manila	80,801.32	30-Nov-17
UNITED PARAÑAQUE	Iba corner Malugay Sts., East Service Road, Brgy. San Martin de Porres, United Parañaque, Metro Manila	69,457.50	30-Nov-17
UP CAMPUS	No. 3 Apacible St., UP Campus, Diliman, Quezon City 1101	476,437.50	31-Dec-17
URATEX-EAST SERVICE ROAD	Uratex Bldg., Km. 23, East Service Road, Brgy. Cupang, Muntinlupa City	53,697.00	13-Aug-18
VILLAMOR AIR BASE	G/F, Airmens Mall Bldg. cor Andrews & Sales Sts., Villamor Air Base, Pasay City	16,350.00	31-Dec-15
VISAYAS CONGRESSIONAL	#22 RTS Building, Congressional Ave., Quezon City	95,206.79	15-Mar-16
VITO CRUZ	550 Pablo Ocampo cor. Mabini Sts., Malate, Manila	100,713.38	31-Aug-16
ZABARTE	1131 Quirino Hi-way, Brgy. Kaligayahan, Novaliches, Quezon City	85,323.04	31-Jul-16
ZAPOTE	99 Real Street, Alabang-Zapote Road, Pamplona 1, Las Piñas City	84,234.58	04-Dec-18

Northern Luzon

ABANAO	90 NRC Bldg., Abanao St., Baguio City	93,571.20	15-Oct-18
AGOO-SAN ANTONIO	B&D Bldg. National Highway, San Antonio, Agoo, La Union 2504	100,000.00	31-Dec-24
ANGELES-MC ARTHUR	F. Navarro Bldg., MacArthur Highway, Brgy. Salapungan, Angeles City, Pampanga	146,250.00	31-Jul-20
APALIT	Mc Arthur Highway, San Vicente, Apalit, Pampanga	11,576.25	31-Jul-18
BAGUIO-CENTER MALL	G/F, Baguio Center Mall, Magsaysay Ave., Baguio City	126,000.00	31-Mar-19
BALAGTAS	G/F D & A Bldg., Mc Arthur Highway, San Juan, Balagtas, Bulacan	45,982.14	30-Jun-20
BAYAMBANG	Prime Bldg., Rizal St., Zone 2, Bayambang, Pangasinan	64,000.00	18-May-17
BEPZ	Bataan Economic Zone, Luzon Ave., Mariveles, Bataan 2106	61,778.00	07-Mar-19
BOCAUE	JM Mendoza Building, McArthur Hi-way, Lolomboy, Bocaue, Bulacan	72,930.38	07-Oct-17
BONTOC	G/F Mt. Province Commercial Center, Poblacion, Bontoc, Bontoc, Mountain Province	27,030.00	10-Sep-16
CABANATUAN-MAHARLIKA HIGHWAY	Km. 114 Maharlika Highway, Cabanatuan, Nueva Ecija	60,000.00	30-Apr-19
CAMILING-RIZAL	Rizal St., Camiling, Tarlac	23,841.82	15-Mar-16
CAPAS	Capas Comm'l Complex, Sto. Domingo, Capas, Tarlac	68,645.72	15-Oct-16

CAUAYAN-MAHARLIKA HI-WAY	Disston Bldg., Maharlika Highway, Bgy. San Fermin, Cauayan, Isabela	84,000.00	31-Mar-19
CENTRO ILAGAN	J. Rizal St., Centro, Ilagan City, Isabela 3300	31,500.00	04-Aug-18
CLARK FIELD	Retail 4 & 5, Berthaphil III, Clark Field Center 2, Jose Abad Santos Ave., Clark Field Freeport Zone, Clark Field, Pampanga 2023	US$2,100	31-May-19
DAGUPAN-FERNANDEZ	A. B. Fernandez Ave., cor. Noble St., Dagupan City, Pangasinan	90,000.00	31-Dec-19
DINALUPIHAN	BDA Bldg., San Ramon Highway, Dinalupihan, Bataan 2110	44,642.86	20-Mar-17
DOLORES	Units 4 & 5 G/F, Peninsula Plaza Bldg., Mc Arthur Highway, Dolores, City of San Fernando, Pampanga	73,420.72	31-May-19
EAST GATE CITY WALK	East Gate CW Commercial Center, Olongapo Gapan Rd., San Jose, City of San Fernando, Pampanga	62,390.62	15-Jun-18
GUIMBA	CATMAN Bldg., Provincial Road corner Faigal St., Saranay District , Guimba, Nueva Ecija	39,600.00	30-Sep-17
LA TRINIDAD	Benguet State University Compound, Brgy. Balili, Kilometer 5, La Trinidad, Benguet 2601	31,794.40	05-Oct-27
LAGAWE	JDT Bldg., Inguiling Drive, Poblacion East, Lagawe, Ifugao	16,000.00	10-Nov-18
LAOAG-CASTRO	F.R. Castro St., Brgy. 17, Laoag City, Ilocos Norte	99,225.00	31-Mar-19
LUBAO	OG Road, Ela Paz Arcade, Brgy. Sta. Cruz, Lubao, Pampanga	46,189.24	31-Dec-20
MABALACAT	Destiny Building, Brgy., Mabiga, Mabalacat, Pampanga	50,594.28	31-Jan-21
MACABEBE	Y N CEE Commercial Bldg., Poblacion, San Gabriel, Macabebe, Pampanga	40,000.00	27-Mar-21
MAGSAYSAY AVE.	G/F, Lyman Ogilby Centrum Bldg., 358 Magsaysay Ave., Baguio City 2600	85,800.00	21-May-17
MALOLOS-MC ARTHUR	FC Bldg., Km 40, McArthur Hi-way, Sumapang Matanda, Malolos City, Bulacan	80,223.41	31-Dec-16
MANGALDAN	G/F, Abad Biascan Bldg., Rizal St.,Poblacion, Mangaldan, Pangasinan	55,315.15	30-Mar-20
MEYCAUAYAN-ESPERANZA	G/F, Stalls 8 & 9, Esperanza Mall, McArthur Highway, Brgy. Calvario, Meycauayan, Bulacan	81,554.39	31-Oct-16
NAGUILIAN ROAD-BAGUIO	G/F, High Country Inn, Naguilian Road, Baguio City	81,033.75	31-Oct-16
NARVACAN	Annex Bldg., Narvacan Municipal Hall, Sta. Lucia, Narvacan, Ilocos Sur	49,107.14	01-Sep-17
NORTH ZAMBALES	Brgy. Hall, Poblacion South, Sta. Cruz, Zambales	13,392.86	31-Dec-17
OLONGAPO-MAGSAYSAY	YBC Mall, 97 Magsaysay Drive, East Tapinac, Olongapo City	154,350.00	31-May-18
ORANI	Agustina Bldg., McArthur Highway, Parang-Parang, Orani, Bataan	36,000.00	17-Nov-18
PASUQUIN	Farmers Trading Center Bldg., Maharlika Hi-way, Poblacion 1, Pasuquin, Ilocos Norte	20,000.00	12-Feb-22
PEREZ BLVD.-DAGUPAN	Orient Pacific Building, Perez Blvd. cor. Rizal Ext., Dagupan City	75,245.63	31-Mar-17
PLARIDEL	Cagayan Valley Road, Banga 1st, Plaridel, Bulacan	19,292.30	30-Jul-17
ROBINSONS PULILAN	Robinsons Mall Pulilan, Maharlika Highway, Cutcut, Pulilan, Bulacan	41,110.69	21-Dec-19
SAN AGUSTIN	G/F, Tagle Bldg., McArthur Hi-way, Bgy. San Agustin, City of San Fernando, Pampanga	104,742.00	15-Aug-18
SAN CARLOS-PANGASINAN	Plaza Jaycee, San Carlos City, Pangasinan	60,272.94	14-Aug-19
SAN FERNANDO-MC ARTHUR	LNG Bldg., Mc Arthur Highway, Brgy. Dolores, City of San Fernando, Pampanga	77,638.33	31-Jul-18

SAN JOSE DEL MONTE	Dalisay Bldg., Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan	75,000.00	31-Dec-19
SAN RAFAEL	San Rafael Public Market, Cagayan Valley Road, Brgy. Cruz na Daan, San Rafael, Bulacan	55,800.00	30-Nov-25
SANCHEZ MIRA	C-2 Maharlika Highway, Sanchez Mira, Cagayan 3518	29,464.28	02-Dec-22
SANGITAN	R. Macapagal Bldg., Maharlika Highway, Brgy. Dicarma, Cabanatuan City	52,175.20	31-Aug-16
SANTIAGO-PANGANIBAN	Municipal Integrated Parking Bldg., Panganiban St., Brgy. Centro East, Santiago City, Isabela	5,023.50	28-Aug-15
ISABELA - ALICIA (formerly SOLANO)	Armando & Leticia de Guia Bldg., San Mateo Road, Antonio, Alicia, Isabela	44,642.86	31-Aug-17
STA. MARIA	Jose Corazon De Jesus St., Poblacion, Sta. Maria, Bulacan	75,000.00	30-Sep-18
STA. ROSA-NUEVA ECIJA	G/F, JNB Bldg., Brgy. Cojuangco, Cagayan Valley Road, Sta. Rosa, Nueva Ecija	43,758.23	30-Sep-16
SUBIC	Lot 5 Retail 2, Times Square Mall, Sta. Rita Road, Subic Bay Freeport Zone, Olongapo City, Zambales 2220	66,862.50	08-Oct-16
TABUK	I-Square Bldg., Provincial Road, Poblacion Centro, Tabuk City, Kalinga	49,098.00	20-Dec-20
TARLAC-ZAMORA	A & E Bldg., Unit 123, #06 Zamora St., Brgy. San Roque, Tarlac City	75,581.39	31-Oct-17
TUAO	GF, Villacete Bldg., National Highway, Pata, Tuao, Cagayan	12,000.00	23-Sep-18
TUGUEGARAO-BRICKSTONE MALL	G/F, Brickstone Mall, Km. 482, Maharlika Highway, Pengue Ruyu, Tuguegarao City, Cagayan	72,201.07	15-Nov-20
URDANETA-ALEXANDER	AAG Bldg. 2, Alexander St., Urdaneta City, Pangasinan	86,821.88	14-Dec-17
VIGAN-QUEZON AVE.	36 Quezon Ave., Vigan City, Ilocos Sur	93,712.50	30-Apr-18
Southern Luzon			
ALBAY CAPITOL	ANST Bldg. II, Rizal St., Brgy. 14, Albay District., Legaspi City	60,372.90	12-Feb-19
ATIMONAN	Our Lady of the Angels Parish Compund, Quezon Street, Atimonan,Quezon	35,000.00	15-Jul-20
BACOOR-PANAPAAN	San Miguel Commercial Building, 215 E. Aguinaldo Highway, Barangay Panapaan I, Bacoor, Cavite	75,245.63	13-May-17
BATANGAS	Unit G1E, G/F Expansion Area, Nuciti Central Mall, P. Burgos St., Batangas City, Batangas	117,820.70	22-Mar-20
BATANGAS-KUMINTANG	JPA AMA Bldg., National Hi-way, Kumintang Ilaya, Batangas City	60,000.00	28-Feb-20
BATANGAS-PALLOCAN WEST	GF, MAJ Bldg., National Highway, Pallocan West, Batangas City	70,000.00	26-Jun-19
BAUAN	G/F, ADD Building, J.P. Rizal St., Poblacion, Bauan, Batangas	31,250.00	02-Aug-16
BIÑAN	Ammar Commercial Center, Nepa National Highway, Brgy. Sto. Domingo, Biñan, Laguna	76,500.00	31-Mar-23
BOAC	Gov. Damian Reyes St., Murallon, Boac,Marinduque	26,785.20	31-Jul-19
BULAN	Zone 4 Tomas de Castro St., Bulan, Sorsogon	40,516.88	31-Jul-17
CABUYAO	Asia Brewery Complex, National Hi-way, Brgy. Sala, Cabuyao, Laguna	38,778.53	31-Mar-16

CABUYAO-CENTRO MALL	Unit 124, Centro Mall, Brgy. Pulo, Cabuyao, Laguna	59,400.00	21-Jun-20
CALAMBA CROSSING	G/F, Unit Building, J. Alcasid Business Center, Crossing Calamba City, Laguna	90,405.00	14-Mar-16
CALAMBA-BUCAL	GF, Prime Unit 103 Carolina Center Bldg. COR. Ipil-ipil St., Brgy.Bucal, Calamba, Laguna	72,629.69	30-Nov-18
CALAMBA-NATL HI-WAY	G/F, Sta. Cecilia Business Center II, Brgy. Parian, Calamba City, Laguna	39,000.00	15-Oct-16
CARMONA	9767 Brgy. Maduya, Carmona, Cavite	66,150.00	30-Apr-18
CAVITE-DASMARIÑAS	G/F LCVM Bldg., Aguinaldo Hi-Way Zone IV, Dasmariñas, Cavite City	143,545.76	21-Dec-20
CEPZ	Gen. Trias Drive, Rosario, Cavite	26,032.76	13-Feb-17
DAET-PIMENTEL	F. Pimentel Ave. cor. Dasmarinas St., Daet, Camarines Norte	79,000.00	15-Mar-20
DASMARIÑAS-SALITRAN	Michael's Bldg., Aguinaldo Highway, Salitran, Dasmariñas City, Cavite	57,821.43	25-Oct-20
GEN. TRIAS	129 Governor's Drive, Manggahan, General Trias, Cavite	59,484.38	31-Aug-18
GOA	Juan Go Bldg., cor. Rizal & Bautista Sts., Goa, Camarines sur	37,500.00	31-Aug-17
GUMACA	Andres Bonifacio St., Brgy. San Diego Poblacion, Gumaca, Quezon	80,000.00	29-Nov-20
IMUS	GF, J. Antonio Bldg. 1167 Gen. Aguinaldo Highway, Bayan Luma 7, Imus, Cavite 4103	125,355.00	11-Nov-16
IMUS-AGUINALDO	Sayoc Abella Bldg., E. Aguinaldo Hi-way, Imus, Cavite	91,162.97	30-Aug-20
LEGAZPI-IMPERIAL	35 F. Imperial St., Legaspi City, Albay	67,200.00	31-May-17
LEMERY	Humarang Bldg., Corner Ilustre Ave. and P. De Joya St., Lemery Batangas	76,000.00	30-Jun-16
LIGAO	San Jose St., Dunao, Ligao City, Albay	56,000.00	30-Sep-17
LIPA - AYALA HI-WAY	K-Pointe Plaza, Ayala Hi-way, Brgy. Sabang, Lipa City, Batangas	75,000.00	31-Oct-20
LUCENA-ENRIQUEZ	Enriquez corner Enverga Sts., Poblacion, Lucena City, Quezon	70,000.00	15-Sep-17
MAHARLIKA	G/F, Kadiwa Building, Brgy. Maharlika, Sta. Cruz, Marinduque	39,025.80	20-Jun-15
MOLINO	I.K. Commercial Bldg., Villa Maria Subd., Molino Highway, Molino III, Bacoor Cavite	74,842.50	31-May-19
NAGA-MAGSAYSAY	G/F G Square Bldg., Magsaysay Ave. corner Catmon II St., Balatas, Naga City, Camarines Sur	75,000.00	14-Apr-19
NAGA-PANGANIBAN	DECA Corporate Center, Panganiban Drive, Brgy. Tinago, Naga City, Camarines Sur	75,600.00	23-Feb-18
NAIC	P. Poblete Street, Ibayo Silangan, Naic, Cavite	68,000.00	14-Feb-17
NASUGBU	J. P. Laurel corner F. Alix Sts., Nasugbu, Batangas	70,000.00	31-May-19
PACITA COMPLEX	JRJ Building, National Highway, Brgy. Nueva, San Pedro, Laguna	52,000.00	31-May-16
PASEO DE SANTA ROSA	Blk. 5 Lot 3B, Sta. Rosa Estate 2-A, Balibago, Tagaytay Road, Bo. Sto. Domingo, Sta. Rosa City, 4026 Laguna	135,000.00	14-May-16
PILI	Cu Bldg, Old San Roque, Pili, Camarines Sur	60,648.00	31-Aug-17
PINAMALAYAN	Mabini St., Zone IV, Pinamalayan, Oriental Mindoro	37,991.71	30-Sep-20
POLANGUI	National Road, Ubaliw, Polangui, Albay	33,928.57	30-Apr-18

ROMBLON	SAL Building, Republika St., Brgy. 1, Romblon, Romblon	18,700.00	11-Oct-19
SAN PABLO-COLAGO AVE.	Mary Grace Building, Colago Ave. cor. Quezon Ave., San Pablo City, Laguna	54,697.78	30-Nov-16
SAN PEDRO-NATL HI-WAY	Km. 31, National Highway, Brgy. Nueva, San Pedro, Laguna	71,662.50	28-Feb-18
SINILOAN	G. Redor St. Siniloan, Laguna	77,058.80	17-Jan-16
SORSOGON-MAGSAYSAY	2nd Floor, PNB Sorsogon Branch Rizal St., Sorsogon City, Sorsogon	110,250.00	15-Dec-18
STA. CRUZ-REGIDOR	37 A. Regidor St., Sta. Cruz, Laguna	90,000.00	21-Feb-19
STA. ROSA	NATIONAL HIGHWAY BALIBAGO CITY OF STA ROSA LAGUNA	82,000.00	10-Jun-16
TAGAYTAY	Vistamart Bldg., Gen. E. Aguilnado Highway, Mendez Crossing West, Tagaytay City	62,500.00	29-Nov-19
TANAUAN	G/F V. Luansing Bldg, J.P. Laurel Highway, Tanauan City, Batangas	70,312.50	21-Aug-16
TANZA	G/F, Annie's Plaza Building, A. Soriano Highway, Daang Amaya, Tanza, Cavite	62,400.00	15-Oct-20
UP LOS BAÑOS	LANZONES ST. UPLB COLLEGE LOS BANOS, LAGUNA	72,489.55	month-to-month
VIRAC	055 Quezon Ave., Brgy Salvacion, Virac, Catanduanes	free BOT	21-Jul-18

Visayas

A. CORTES	A. Cortes Ave., Ibabaw, Mandaue City, Cebu	96,032.77	29-Feb-16
BACOLOD	10th Lacson St., Bacolod City	P99/year	12-Aug-65
BACOLOD EAST	G/F, Besca Properties Bldg., Burgos Extension, Bacolod City, Negros Occidental	59,481.40	25-Oct-19
BACOLOD-HILADO	Hilado corner L.N. Agustin Sts., Bacolod City	44,100.00	19-Feb-17
BACOLOD-LIBERTAD	Penghong Bldg., Poinsetia St., Libertad Ext., Bacolod City, Negros Occidental	54,697.78	03-Nov-16
BACOLOD-NEGROS CYBER CENTRE	Negros First Cyber Centre Bldg., Lacson cor. Hernaez St., Bacolod City, Negros Occidental	58,000.00	12-Jul-18
BAIS	Rosa Dy-Teves Bldg, Quezon St., Bais City	26,785.71	30-Nov-16
BANILAD	Gov. M. Cuenco Ave., cor. Paseo Saturnino St., Banilad, Cebu City	117,315.00	28-Feb-20
BANILAD-FORTUNA	AS Fortuna St., Banilad, Mandaue City, Cebu	50,000.00	31-Mar-17
BANTAYAN	J.P. Rizal St., Ticad, Bantayan, Cebu City	53,340.00	21-Jun-25
BOGO	Cor. R. Fernan & San Vicente Sts., Bogo City, Cebu	24,310.12	16-Apr-16
BORACAY STATION	Venue One Hotel, Main Road Station 1, Balabag, Boracay Island, Malay, Aklan	193,821.69	10-Apr-21
CARBON	41-43 Plaridel St., Ermita, Cebu City	108,000.00	31-Oct-19
CARCAR	Jose Rizal St., Poblacion 1, Carcar City, Cebu	69,283.86	21-Feb-16
CEBU BUSINESS PARK	Unit F, Upper G/F, FLB Corporate Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City	131,560.00	06-Dec-20

CEBU IT PARK	G/F, TGU Tower, Cebu IT Park, Salinas Drive cor. J.M del Mar St., Apas, Cebu City	209,700.00	15-Dec-17
CEBU-ESCARIO	G/F, Capitol Square, N. Escario Street, Cebu City	78,750.00	30-Aug-20
CEBU-LILOAN	Units 11-12, G/F, Gaisano Grand Liloan, Barangay Poblacion, Liloan, Cebu	56,250.00	14-Mar-21
CEBU-MOALBOAL	G/F, Stall MBL-GFS 7, 8 & 9, Gaisano Grand Mall, Poblacion East, Moalboal, Cebu	54,000.00	16-Mar-20
CENTRO MANDAUE	G/F M2, Gaisano Grand Mall, Mandaue Centro, A. Del Rosario St., Mandaue City 6014, Cebu	97,500.00	26-Feb-17
COLON	G/F J. Avela Bldg., Collonade Mall Oriente, Colon St., Cebu City	134,300.00	31-Dec-18
CONSOLACION	Consolacion Government Center Extension, Poblacion, Orientation, Consolacion, Cebu City	66,000.00	02-Aug-20
DOWNTOWN TACLOBAN	G/F, Washington Trading Bldg., Rizal Ave., Tacloban City, Leyte 6500	100,160.19	22-Oct-16
DUMAGUETE-SOUTH ROAD	Manhattan Suites, South Rd, Calindagan, Dumaguete City, Negros Oriental	67,142.25	14-Oct-17
FUENTE OSMEÑA	BF Paray Bldg., Osmena Blvd., Cebu city	130,000.00	25-May-18
GUIHULNGAN	New Guihulngan Public Market, S. Villegas St., Guihulngan, Negros Oriental	18,000.00	08-Feb-18
GUIUAN	Cor. San Nicolas & Guimbaolibot Sts., Guiuan, Eastern Samar 6809	35,718.24	31-Oct-19
ILOILO-ALDEGUER	St. Catherine Arcade, Aldeguer St., Iloilo City	80,000.00	15-Nov-21
ILOILO-DIVERSION ROAD	Unicom Bldg., Sen. Benigno Aquino Ave. (Diversion Road), Brgy. San Rafael, Mandurriao, Iloilo City	47,103.00	02-Oct-19
ILOILO-GEN. LUNA	Go Sam Building, Gen. Luna St., Iloilo City	65,000.00	17-Dec-16
ISLAND CITY MALL-TAGBILARAN	Upper Ground Floor 33-34, Island City Mall, Dampas District, Tagbilaran City	55,048.50	31-Jul-16
JARO	#8 Lopez Jaena St., Jaro, Iloilo City	108,528.00	02-May-16
JARO-LEDESMA	Simeon Ledesma St., Jaro, Iloilo City	66,852.84	28-Feb-17
KALIBO-MARTELINO	0624 S. Martelino St., Kalibo, Aklan	37,685.24	30-Nov-20
LA CARLOTA	Cor La Paz and Rizal Sts., La Carlota City	33,693.83	31-May-16
LA PAZ	Inayan Bldg., cor. Huevana & Rizal Sts.,La Paz, Iloilo City 5000	58,600.00	31-Dec-18
LAHUG	G/F Juanita Bldg., Escario St. Cor. Gorordo Ave., Brgy. Camputhaw, Lahug, Cebu City	59,400.00	07-Feb-16
LAPU-LAPU MARKET	Mangubat cor. Rizal Sts., Lapu-Lapu City, Cebu	25,639.73	31-Dec-22
MAMBALING	GF, Supermetro Mambaling, F. Llamas St., corner Cebu South Road, Basak, San Nicolas, Cebu City	67,744.22	28-Oct-16
MANDAUE	JD Building, Lopez Jaena Street, Tipolo, Mandaue City, Cebu 6014	84,917.84	14-Apr-20
MANDAUE-SUBANGDAKU	KRC Building, Lopez Jaena St., Subangdaku, Mandaue City, Cebu	62,865.38	15-Aug-16
MEPZ	1st Ave., MEPZ 1, Mactan Island, Lapu-Lapu City, Cebu 6015	12,438.68	19-Jul-19
MIAG-AO	One TGN Building, Cor. Noble & Sto. Tomas Sts., Miagao., Iloilo	42,446.25	15-May-18

MINGLLANILLA	Ward 4, Poblacion, Minglanilla Cebu	60,196.50	14-Oct-17
NORTH ROAD-MANDAUE	Insular Square, 31 JP Rizal St., MandaueCity	74,363.63	28-Feb-18
ONE PAVILION MALL-CEBU CITY	One Pavilion Mall, R. Duterte St., Banawa, Cebu City, 6000	69,484.50	07-Oct-17
ORMOC-REAL	Narcisa Codilla Building, Real St., Ormoc City., Leyte	60,775.31	30-Sep-16
PALOMPON	Ground Floor, Municipal Bldg., Rizal St., Palompon, Leyte	15,000.00	16-May-18
PUSOK	M. L. Quezon National Highway, Pusok, Lapu-Lapu City, Cebu	23,579.48	29-Feb-16
SAN JOSE-ANTIQUE	Calixto O. Zaldivar St., San Jose de Buenavista, Antique	61,990.00	11-Jun-20
SOGOD	No. 006 Osmeña St., Brgy Zone 2, Sogod, Southern Leyte	1,000.00	23-Dec-17
STA. BARBARA	Liz Complex, Bangga Dama, Brgy. Bolong Oeste, Sta. Barbara, Iloilo	64,639.87	31-Oct-18
TABUNOK	Paul Sy Bldg., National Highway, Tabunok, Talisay City	80,454.00	16-Jan-21
TABUNOK-TALISAY	Viva Lumber Bldg., Talisay, Tabunok, Cebu	56,000.00	17-Jun-19
ALTURAS MALL-TAGBILARAN (formerly TAGBILARAN-DEL PILAR)	G/F, Stall 10, Alturas Mall, C.P. Garcia Ave., M.H. Del Pilar & B. Inting Sts., Tagbilaran	70,000.00	31-Jul-12
TALAMBAN	Leyson St., Talamban, Cebu City	61,740.00	15-Aug-18
UBAY-BOHOL	G/F LM Commercial Bldg.,National Hi-way Cor.Tan Pentong St.,Poblacion, Ubay, Bohol	50,711.88	11-Jun-18
UPTOWN CEBU	G/F, Visayas Community Medical Center Mixed Use Bldg., Osmeña Blvd., Cebu City	142,848.00	29-Feb-20
Mindanao			
AGDAO-LAPU-LAPU	Chavez Bldg., Lapu-Lapu St., Agdao, Davao City	84,000.00	30-Nov-19
ATENEO DE DAVAO-JACINTO	G/F, Community Center, Ateneo de Davao University, Jacinto St., Davao City	60,168.00	10-Oct-25
BANGOY	Roman Paula Bldg., 35-37 C. Bangoy Street, Davao City.	66,000.00	24-Apr-19
BAYUGAN	Mendoza Square, Narra Avenue, Poblacion, Bayugan City, Agusan del Sur	42,525.00	31-Aug-19
BUTUAN-J.C. AQUINO	J.C. Aquino Avenue, Butuan City, Agusan del Norte	66,150.00	31-Mar-17
CARMEN	REGO Building , 296 Agoho Drive, Carmen, Cagayan de Oro City, Misamis Oriental	71,428.57	25-Oct-20
CLIMACO	JNB Bldg., Buenavista St., Zamboanga City, Zamboanga del Sur	79,860.00	24-Jun-17
DADIANGAS	RD Realty Development Bldg., Santiago Blvd., General Santos City, South Cotabato	55,125.00	28-Feb-18
DAVAO-CALINAN	LTH Building, Davao-Bukidnon Highway, Calinan, Davao City	37,044.00	30-Nov-17
DAVAO-DIVERSION ROAD	Doors 2 & 3, Gimenes Bldg., Carlos Garcia Hi-way (Diversion Road) Buhangin, Davao City	47,600.00	14-Jul-19
DAVAO-LANANG	Km. 7, Lanang, Davao City	52,500.00	24-Jul-19

DAVAO-OBRERO	G/F JJ Commune Bldg., Loyola St., Bo. Obrero, Davao City	72,828.00	30-Jun-18
DIGOS-GEN. LUNA	Gonzales Building, Gen. Luna St., Digos City, Davao del Sur	40,262.42	30-Sep-20
DIPOLOG-RIZAL	Rizal Ave. cor. Osmena St., Dipolog City, Zamboanga del Norte	98,398.13	16-Apr-17
GAISANO CAPITAL-SURIGAO	Gaisano Capital, KM 4, National Highway, Barangay Luna, Surigao City	35,663.00	10-Jul-17
GENERAL SANTOS-ACHARON	Pedro Acharon Blvd., General Santos City, South Cotabato	21,533.40	30-Jun-16
ILIGAN-QUEZON	Quezon Ave., Poblacion, Iligan City, Lanao del Norte	92,610.00	31-Oct-16
ISULAN	Aristoza Bldg., National Highway, Isulan, Sultan Kudarat	38,808.00	31-May-17
KCC MALL DE ZAMBOANGA	Upper Ground Floor, KCC Mall de Zamboanga, Gov. Camins St., Brgy. Camino Nuevo, Zamboanga City	17,280.00	28-Feb-17
KCC MALL-GEN. SANTOS CITY	Unit 018 Lower G/F KCC Mall of Gensan, Jose Catolico Sr. Ave. General Santos City, South Cotabato	98,435.17	10-Apr-16
LILOY	Chan Bldg., Baybay, Liloy, Zamboanga del Norte	35,000.00	30-Apr-20
LIMKETKAI MALL-NORTH CONCOURSE	G/F North Concourse, Limketkai Mall, Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental	174,567.97	31-Oct-16
MALAYBALAY	Flores Bldg., cor. Rizal & Tabios Sts., Brgy. 5, Malaybalay City, Bukidnon	54,000.00	30-Apr-17
MALAYBALAY-FORTICH	Fortich cor. Kapitan Juan Sts., Brgy 7, Malaybalay City, Bukidnon	42,350.00	31-Mar-18
MATINA	HIJ Bldg., Mc Arthur Highway, Brgy. Matina, Davao City	55,357.14	01-May-18
MATINA CROSSING	80 Lua Building, Mc Arthur Highway, Matina, Davao City	40,000.00	14-Sep-20
MONTEVERDE	Mintrade Bldg., Monteverde St. cor. Sales St., Davao City,Davao del Sur	94,905.05	31-Mar-17
MONTEVERDE-BANGOY	42 T.Monteverde cor. S. Bangoy Sts., Davao City	119,590.94	13-Mar-20
OZAMIS-GOMEZ	Gomez cor. Burgos Sts., 50th Brgy., Ozamis City, Misamis Occidental	52,500.00	30-Sep-18
PALA-O	G/F Iligan Day Inn Bldg., Benito S. Ong St., Pala-O, Iligan City, Lanao del Norte	48,616.07	30-Sep-17
PANABO CITY	G/F Gaisano Grand Mall of Panabo, Quezon St., Brgy. Sto. Niño, Panabo City, Davao Del Norte	56,223.25	30-Nov-16
SASA	Carmart Bldg., Km 8, Sasa, Davao City	41,659.54	14-Nov-18
SINDANGAN	Corner Rizal & Bonifacio Sts., Poblacion, Sindangan, Zamboanga del Norte	10,368.00	11-Aug-22
STA. ANA DAVAO	Bonifacio Tan Bldg., Rosemary cor. Bangoy Sts., Sta. Ana Dist., Davao City, Davao del Sur	57,375.00	30-Apr-18
STA. ANA-MAGSAYSAY	R. Magsaysay Ave. cor. Lizada St., Davao City	115,473.09	24-May-16
SURIGAO-WASHINGTON	San Nicolas St., Brgy. Washington, Surigao City, Surigao del Norte	112,815.00	31-Mar-16
TAGUM-APOKON	GL 04-06 Gaisano Grand Arcade,Apokon Road corner Lapu-Lapu Ext., Brgy. Visayan Village, Tagum City, Davao Del Norte	52,093.13	15-Sep-17
TETUAN	G/F, AL Gonzalez & Sons Bldg., Veterans Ave., Zamboanga City 7000	62,012.50	02-Apr-17

TORIL	Anecita G. Uy Bldg., Saavedra St., Toril, Davao City, Davao del Sur	60,062.68	01-Jun-17
VALENCIA	Tamay Lang Bldg., G. Lavina St., Poblacion, Valencia, Bukidnon	65,595.63	20-Apr-17
VALENCIA-MABINI	Tamaylang Bldg., Mabini Street, Poblacion, Valencia City, Bukidnon	58,593.75	28-Feb-21
ZAMBOANGA-CANELAR	G/F Blue Shark Hotel, Mayor Jaldon St., Canelar, Zamboanga City	53,146.83	31-Aug-22
ZAMBOANGA-NUÑEZ EXT.	Ciudad Medical, Zamboanga Nuñez Ext., Camino Nuevo, Zamboanga City	60,000.00	31-May-16
ZAMBOANGA-SAN JOSE	San Jose, Zamboanga City, Zamboanga del Sur	30,000.00	22-Apr-19
ZAMBOANGA-VETERANS AVENUE	G/F Zamboanga Doctors' Hospital, Annex Bldg., Veterans Ave., Zamboanga City, Zamboanga del Sur	73,856.48	15-May-17